

## Talks on Medium-Range Arms Resume on a Note of Caution

By Robert J. McCartney  
Washington Post Service

GENEVA — U.S. and Soviet nuclear arms negotiators resumed formal talks Thursday on sweeping cuts in medium-range missiles with the Americans playing down

chances for a quick accord because of questions over how to limit shorter-range missiles and prevent cheating.

The Kremlin upgraded its negotiating team for the talks on medium-range forces in a move that was

viewed as showing that they are serious about getting down to details of drafting a treaty on medium-range arms.

The deputy head of the entire Soviet delegation in Geneva, Alexei A. Obukhov, will be co-chairman of the steering committee for the talks and was expected to play a larger role in them than in the past.

General Vladimir Medvedev was named chairman of the Soviet negotiating team. General Medvedev replaced Leon Masterkov, a civilian.

The negotiations resumed, after a four-week recess, at a time when chances have risen substantially that the superpowers will agree to dismantle all medium-range missiles in Europe. Secretary of State George P. Shultz achieved what he called "quite a lot of progress" toward such an accord during a three-day trip to Moscow last week.

Nevertheless, the top U.S. negotiator on medium-range arms, Maynard W. Glitman, declined to join Mr. Obukhov in predicting that a treaty would be ready before the end of this year.

"We're going to be realistic as well as optimistic," Mr. Glitman said before entering a 19th-century villa on the Soviet diplomatic compound for the start of the talks.

Mr. Shultz, in an interview with West European reporters, also declined to lay out a timetable for reaching an agreement, although he said that overall prospects were "pretty good."

The U.S. caution is due first to the fact that its European allies are still studying how to respond to a Soviet proposal, announced during the Moscow talks, to scrap certain types of shorter-range missiles in Europe.

The European allies are worried that they would be vulnerable to a Soviet advantage in some missiles of still shorter range, and in conventional forces, if the Soviet offer was accepted.

The United States also is waiting to see whether Moscow accepts far-reaching U.S. demands for verification measures. Moscow will formally spell out its position in this area in its version of a draft treaty, which Mr. Obukhov said would be presented "during the course of this round."

The United States presented its draft treaty on March 4, although Mr. Glitman said the U.S. side still has to present some "additional protocols" providing more details of the U.S. verification proposals.



Anatoli Koryagin

## Dissident Will Leave, Tass Says

The Associated Press

MOSCOW — Anatoli Koryagin, the psychiatrist who was imprisoned for six years in the early 1980s after accusing the authorities of confining sane dissidents to mental hospitals, has been given permission to emigrate to Switzerland, Tass news agency said Thursday.

It was apparently the first time that the official Soviet media had reported in advance on the departure of an individual dissident.

Dr. Koryagin, 48, had said early last week that he planned to leave for Switzerland in about 10 days. He is expected to take with him his wife, Galina, his mother, and his three sons. One son was recently released from a labor camp.

Dr. Koryagin was freed from a labor camp in February after being pardoned by the Supreme Soviet, the nominal parliament, in a review of dissident cases.

In 1981 he was sentenced to seven years in prison and five years in exile on charges of anti-Soviet agitation and propaganda after accusing

ing authorities of confining sane dissidents to mental hospitals. The Frankfurt-based International Association for Human Rights reported Tuesday that Dr. Koryagin had received permission to emigrate and would be flying to Switzerland on Friday.

Until the Tass dispatch there had been no official word on whether Dr. Koryagin would be leaving. A Foreign Ministry spokesman has said about 150 dissidents have been released from prison or internal ex-

ile on charges of anti-Soviet agitation and propaganda after accus-

## U.S. Attempts to Counter Soviet Moves in East Asia

By Patrick Smith  
International Herald Tribune

SEOUL — President Ronald Reagan appears to be forging a broad new strategy to counter Soviet political advances in East Asia, according to diplomats and analysts here and in Washington.

The latest evidence of this, they said, was his proposal, disclosed Wednesday by an official in Washington, to send a former chairman of the Joint Chiefs of Staff to Vietnam to discuss the issue of missing American soldiers.

The appointment coincides with a diplomatic initiative toward North Korea and cautious approaches to the Soviet Union's other major allies in the region.

With these moves, diplomats and analysts say, Washington intends to balance the inroads Moscow has made since Mikhail S. Gorbachev,

the Soviet leader, unveiled a newly assertive Asia policy in a speech delivered at the Pacific port of Vladivostok last year.

The Washington official said Mr. Reagan had decided to send General John W. Vessey Jr., a retired army officer and former chairman of the Joint Chiefs from 1982 to 1985, to Vietnam for the discussions.

The official said the Reagan administration had proposed the appointment "a couple of weeks ago" but that Hanoi had yet to respond.

The gestures the United States is making toward the Hanoi and Pyongyang governments are focused on unrelated issues.

General Vessey is expected to negotiate with Hanoi over the problem of the soldiers missing in action since the war with Vietnam.

Similarly, a State Department decision in March to permit increased contacts between U.S. and North Korean diplomats reflects mounting concern in Seoul that Pyongyang might try to disrupt the Olympic Games that are to be held in Seoul next year.

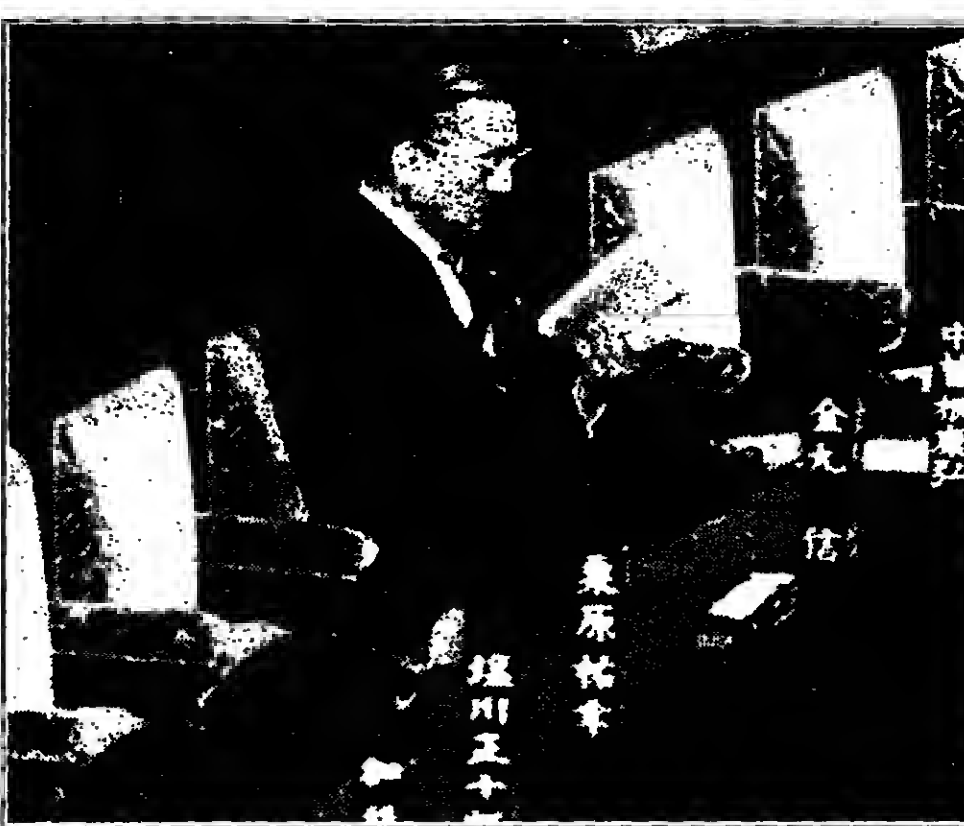
On the Korean Peninsula the United States also is seeking to reduce tensions between the North and the South by encouraging the resumption of bilateral talks, which were disrupted by Pyongyang in early 1986.

But each diplomatic demarche is also seen by policy analysts as an opening move intended as the basis for more extended contacts.

"You have to look at these events on a case-by-case basis," a Washington analyst said in a telephone interview. "But there's also a common thread, which is to counter Gorbachev's peace initiative in the Pacific."

This same concern was apparently reflected in Washington's decision earlier this year to open formal ties with the People's Republic of Mongolia, a Soviet satellite in Central Asia that the United States

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Prime Minister Yasuhiro Nakasone read a book during Thursday's session of the Diet.

## Japan, in Setback For Nakasone, Drops Tax Plan

By John Burgess  
Washington Post Service

TOKYO — Japan's governing Liberal Democratic Party bowed to public anger and withdrew a proposed 5 percent national sales tax on Thursday night in a move that undermines the political future of Prime Minister Yasuhiro Nakasone.

Party leaders killed the plan to end two and a half months of parliamentary paralysis over the tax. Mr. Nakasone had been treating the enactment of the bill as a personal crusade.

Normal business resumed in the Diet, or parliament, on Thursday night and shortly before midnight legislators of the lower house passed, 391-196, a national budget that had been on hold.

Past Japanese prime ministers have often resigned in take responsibility for major defeats in their party. But Mr. Nakasone showed no sign of doing so. He reportedly told journalists, "The real fight for the tax begins now."

His term runs until October but many analysts believe he will have to step down before that. He is scheduled to leave next week for a state visit to Washington.

Opposition parties, meanwhile, celebrated achieving what they had made a make-or-break goal since last year. "It is a perfect victory," said Takako Doi, chairman of the Japan Socialist Party.

The parliamentary agreement that broke the impasse over the proposed tax calls for the major parties to form a special committee to work out agreement on the tax. It was specified, however, that if they could not agree, the tax would be killed for the current session.

Opposition figures said Thursday night that there would be no such agreement.

Defeat of the tax brings Mr. Nakasone full circle from the wave of support he was riding last summer after he led the party in elections to the biggest parliamentary majority in its 32-year history.

After that victory, party members gave him an unprecedented one-year extension beyond the normal four-year limit as party leader.

In the fall Mr. Nakasone tried to use the new strength to rewrite the tax system, which has been in effect since the postwar occupation. The revisions included income tax cuts, to be balanced by the 5 percent tax on many sales and services.

No one objected to the cuts but the idea of a new tax touched off furious protests from opposition parties. They charged that it broke a pledge Mr. Nakasone had made during the campaign not to enact a "large-scale indirect tax" against public wishes.

Of much greater concern to the See TRADE, page 6

## U.S. GNP Grows At 4.3% Rate

The U.S. economy grew at a 4.3 percent annual rate in the first quarter, the strongest gain in nearly three years, the Commerce Department said Friday. But the strong gain reflected a surge in business inventories rather than strength in the economy, Page 17.

The dollar fell on currency markets as traders focused on the inventory buildup and the failure of U.S. and Japan to agree on farm trade. Page 21.

## CGCT Sale May Trigger Reprisals

By Axel Krause  
International Herald Tribune

PARIS — The Reagan administration warned Thursday that France's decision to sell control of a large telecommunications company to a Swedish consortium would trigger protectionist action against European telecommunications interests in the United States.

The U.S. statement was only one of several protests lodged against the decision. It underscored the political nature of the conflict that has arisen between France and several of its important allies, including West Germany, the United States and the Netherlands, over the sale of Compagnie Generale de Telecommunications.

A statement issued by the U.S. Embassy in Paris warned that the French decision would "be seen in the United States as an indication that the European telecommunications market is closed to American suppliers" and that it would "undermine the Reagan administration's efforts to oppose protectionist pressures in the United States."

In Washington, a congressional aide predicted that France's decision would rally senators behind a bill that would retaliate against countries discriminating against the U.S. telecommunications industry.

"The administration is correct; the French action can only help our bill," said a spokesman for Senator John C. Danforth, Republican of Missouri and the author of the legislation. The bill calls for reprisals against foreign telecommunications companies if "reciprocal" ac-

See CGCT, page 6

## Kiosk Ex-Chief of MI6 A Homosexual

LONDON (Reuters) — Prime Minister Margaret Thatcher of Britain told Parliament on Thursday that the former head of the MI6 intelligence service, Sir Maurice Oldfield, was a homosexual.

But she said that an investigation into Sir Maurice, who died in 1981 after serving as security coordinator in Northern Ireland, had concluded that he was not a security risk. Sir Maurice, MI6 chief from 1973-78, was appointed to Northern Ireland in 1979.

This same concern was apparently reflected in Washington's decision earlier this year to open formal ties with the People's Republic of Mongolia, a Soviet satellite in Central Asia that the United States

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Buddhists, Students Demonstrate Against Violence in Sri Lanka

About 500 Buddhist and student demonstrators urged an end of the bloodshed between Tamils and Sinhalese in front of the residence of President Junius R. Jayawardene in Colombo, Sri Lanka, on Thursday. The demonstrations, echoed in several cities and towns, were peaceful. The government, meanwhile, continued bombing Tamil guerrilla targets in reprisal for the bombing attack on Colombo's main bus station on Tuesday that killed at least 106 people. Parliament met in emergency session.

## In Poland, a TV News Program Introduces 'Glasnost' to Media

By Jackson Diehl  
Washington Post Service

WARSAW — Ten months ago, Wojciech Reszczynski and a group of other young journalists teamed up with an ambitious producer to create a news program for Poland's state-run television. The goal, Mr. Reszczynski said, was straightforward: "To produce a program that would be watched and not laughed at."

That task is far from simple in a country where Communist censors ration information and official media are widely scorned. Yet in recent months, the upstart team has come close to achieving its goal.

"Tele-Express," their news show, has become one of the most popular programs in Polish television history, and viewers who once scorned official news are saying that a new era of openness in the media may have arrived.

The news content of "Tele-Express" anchored by Mr. Reszczynski every afternoon at 5:15, is tightly censored by Western standards. Its style, however, is nearly revolutionary. Just 15 minutes long,

it consists almost entirely of rapid-fire bulletins punctuating a stream of video clips, including nightly snippets of rock tapes.

The marvel of these reports, for Polish viewers, is that they are so short that they consist almost entirely of facts, unburdened with the usual heavy-handed "commentary" of propagandists. There are few official communiqués and speeches. And there is no film of tractors, factories and the evils of the West, subjects that are the staples of the half-hour nightly news broadcasts in Poland and other Soviet bloc countries.

Instead, weekly segments focus on irregularities in public services and deficiencies of the economy. One afternoon, despite the censors, "Tele-Express" rebroadcast Western film of Andrei D. Sakharov, the Soviet physicist and human rights activist, returning to Moscow. The film bore the English subtitle "Soviet Dissident."

Such gestures help sustain the underlying appeal of "Tele-Express" as the antithesis of Poland's official news. While adding little to public information, the show seems

to define itself by the boring excess baggage it omits.

"We talk straight," said Mr. Reszczynski. "We don't waste anybody's time."

Surveys show that "Tele-Express" drew an average of 18.4 million viewers in

March, or more than 70 percent of the total potential adult audience. That is 30 percent higher than the ratings of the main nightly news program and equal to the ratings of popular Western-made dramas and soap operas broadcast during prime time.

One day in February, 21 million viewers, or more than half of Poland's population, tuned in to "Tele-Express."

"I can't believe it myself," said Mr.

Reszczynski, 33. "There are those who say it will all soon fall apart for us. And there are those who see us as a sign that things are changing in this country."

Television has long been a bastion of conservatism in Poland's official media, which are otherwise considered among the most open in the Soviet bloc. In 1980 and 1981, during the 16-month existence of the independent Solidarity trade union, television news did not yield to demands for pluralism and became a despised tool of hard-line Communist propaganda.

The changes in television that began with "Tele-Express" have continued in recent months. Most Polish observers believe that they are a byproduct of the campaign by Mikhail S. Gorbachev, the Soviet leader, for glasnost, or openness, throughout the Eastern bloc. Censorship of the official press has eased, there is less repression of the large underground publishing industry and several banned films and plays have been released.

In television, Poland's glasnost has taken the form of expanded diversity rather than relaxed taboos.

During four decades of Communist rule, there was only one principal news program in Poland, "Television Journal." It is broadcast on both state channels every evening and is modeled after the Soviet nightly news program.

Now, three main news shows compete daily, each with its own format, journalists and producers. In addition to "Television Journal" and "Tele-Express," a third show, "Panorama," premiered several weeks ago on the second channel, which canceled its broadcast of the once-dominant evening news.

Despite this nominal pluralism, critics contend that the various news shows differ in style rather than substance.

Mr. Reszczynski concedes that gaps still exist, and says that journalists in the official media, as much as censors, are to blame.

"The problem of censorship exists more in people, in journalists and producers," he added. "Mainly it's a question of the journalists developing civic courage and taking responsibility for their own words."

## South African Blacks Boycott Jobs, Schools

Compiled by Our Staff From Dispatches

JOHANNESBURG — Tens of thousands of blacks stayed away from jobs and schools Thursday in the Johannesburg area in a demonstration that the South African government called an attempt to create a "revolutionary climate" before white elections in May.

The protest Thursday came a day after the police killed six blacks in two clashes with striking railroad workers. Thirteen persons were injured, including seven policemen. Union and anti-apartheid leaders said the violence would lead to more confrontations as a result of the rail strike, which began March 13.

Sources in the black township of Soweto, outside Johannesburg, said militant youths were assaulting people who tried to go to work and there were reports of stone and tire barricades in some streets.

The three-day demonstration, which began Wednesday, was promoted in pamphlets distributed by an unidentified "support committee" that said the goal was to protest evictions of blacks who have refused for months to pay rent for houses owned by their municipalities.

PUTCOS, the bus company that carries nearly 100,000 commuters daily from Soweto, said it halted service Thursday morning. A spokesman, Robin Duff, said two buses were hijacked and 77 bus windows were broken by stones on Wednesday.

A spokesman for the South African Transport Services said trains from Soweto and other black communities around Johannesburg were 30 percent in 80 percent full on Thursday morning. The trains normally carry another 100,000 commuters from Soweto, which has a population of about 2.5 million.

The state-run South African Broadcasting Corp., in a radio editorial, said, "Extra-parliamentary groups have been intensifying their efforts to create a revolutionary climate in South Africa." It said radicals sought to "create a climate of uncertainty and confusion in which the new government that will be formed after the election will be denied a strong mandate from the electorate."

Whites vote in May for the dominant, all-white chamber of Parliament. Elections are not scheduled for the mixed-race and Indian chambers. The black majority is not represented in Parliament.

President Pieter W. Botha's National Party is expected to easily win the election.

A railroad spokesman, Dirk Buekes, said that paperwork would be completed Thursday in the dismissal of 16,000 strikers that triggered the protest, page 6



## Malaysian Ruler's Party Turning Against Him As Discontent Grows

By Michael Richardson  
International Herald Tribune

KUALA LUMPUR, Malaysia

Less than nine months after leading Malaysia's ruling coalition to a resounding victory in a general election, Prime Minister Mahathir bin Mohamad is facing a major challenge from within his party.

Nearly 1,500 delegates from the United Malays National Organization, known as UMNO, will vote Friday to choose party leaders for a three-year term.

For the first time in the 41 years since the party was founded, its president, Mr. Mahathir, is embroiled in a serious contest.

Critics contend that his administration has weakened the country and the party through economic mismanagement, authoritarian controls and toleration of corruption in high places.

Mr. Mahathir has vigorously defended his handling of affairs, asserting that falling international demand and prices for Malaysia's main exports in the past few years have been largely responsible for the country's economic troubles. Malaysia's main exports are oil, tin, rubber, and forest products.

Criticism of Mr. Mahathir's performance and abrasive style is widespread. Nearly half the members of his party in the cabinet have turned against the prime minister, and two former prime ministers, both leaders of the party, have publicly called for a change at the top.

Mr. Mahathir, who became the party's president and Malaysia's prime minister in 1981, is being challenged by his trade and industry minister, Razaleigh Hamzah.

Musa Hitam, a former deputy prime minister who resigned in

February 1986, citing differences with Mr. Mahathir, is trying to keep his post as deputy party president against an ally of Mr. Mahathir.

Most analysts believe the results of the contest for the party's top two positions will be close, with Mr. Mahathir generally favored to retain the presidency by a narrow margin and Mr. Musa likely to hold the deputy presidency.

Critics of the prime minister and his close associates, most of them allied to Mr. Razaleigh and Mr. Musa, are trying to gain control of other elected positions in the party, including its supreme council.

The outcome of the struggle will have a significant impact on Malaysia. The United Malays National Organization is the dominant partner in the National Front, a coalition of more than 10 parties that controls the federal government in Kuala Lumpur and almost all state governments.

UMNO is the main party of the Malays, who form about half the 16 million population. Remaining parties in the front represent Chinese, Indians and other ethnic groups.

The party won 83 of the 148 National Front seats in general elections last August. There are 177 seats in Malaysia's parliament.

Analysts say that in those elections a challenge from an Islamic Malay opposition party and other factors forced the United Malays National Organization to close ranks. Since then, factionalism has re-emerged.

By tradition, the UMNO president has automatically become prime minister. But Mr. Mahathir declared last week that even if he



Mahathir bin Mohamad

were defeated Friday, it would not be necessary for him to resign.

He has accused his rivals of threatening to split his party and undermine the government because of personal ambition.

He has also alleged that several countries, which he did not name, were attempting to influence the outcome.

Analysts here, however, believe that domestic concerns, not foreign interference, are the driving force behind the conflict in the party.

Because of bitter divisions between the rival camps, chances of a lasting reconciliation within the party are considered slim. Aides of Mr. Mahathir have warned that he will purge the government of dissenters if he wins.

## Dial-a-Purchase Arrives in Europe

Toll-Free Calls Open a New World of Marketing

International Herald Tribune

PARIS — From Brighton, England, a housewife can call a Paris department store toll-free to place her order.

In northern Norway, a fisherman can call a U.S. hotel chain without charge to reserve a room.

Under a new service called International Green Number, put into operation this week, telephone users in Western Europe and the United States can use some toll-free numbers across frontiers in any of the 11 nations participating.

Companies wishing to market their services or products through toll-free telephone calls must subscribe to the international system.

The service was inaugurated Wednesday after agreement was reached between the European Conference of Postal and Telecommunications Administrations and American Telephone & Telegraph.

"It's going to be like the United Nations of telephones," said Robert Bloch, a representative of AT&T.

Jean Hamel, an official of the European organization and co-

ordinator of the project, said at a news conference: "This is the first time since the founding of the ECPT in 1959 that European telecommunications administrations have united their efforts to organize, finance and promote an operation on this scale."

Mr. Bloch said the European organization approached AT&T 18 months ago for assistance in integrating an international toll-free system into the European telephone network.

Social changes—such as more working mothers and more two-income and single-parent households—and the widespread availability of credit cards have resulted in a generation of U.S. consumers using the telephone to place orders.

The service enables callers to telephone free to mail order companies, hotel reservation systems, banks and investment houses, and even computer companies that give their clients free access to on-line facilities, officials of the European group said.

They said the system had been in limited operation for two years for hotel chains, travel companies and retailers with overseas trade.

One particularly successful example of how the system could work was demonstrated in January 1986 when Harrods department store in London experimented with toll-free telephone marketing.

Harrods published a free number in The New York Times for its winter sales. It received more than 2,000 calls in less than a week, generating \$583,000 in sales. A poll among those who dialed the Harrods number showed that only a third would have called if the number had not been toll-free.

Countries in the International Green Number system are Denmark, Finland, France, Britain, West Germany, Italy, Norway, the Netherlands, Sweden, Switzerland and the United States. The communications systems will allow customers to phone toll-free to businesses that subscribe.

"Toll-free marketing is a new idea for Europeans," Mr. Bloch said. "We are trying to educate the Europeans about the marketing potential for toll-free tele-marketing."

## No Change Coming, Honecker Says

Reuters

BERLIN — In a speech apparently aimed at dampening speculation that Mikhail S. Gorbachev's reform course could lead to changes in East Germany, Erich Honecker spelled out Thursday an orthodox political and economic line for the country.

The East German leader delivered his message of no change to a congress of the country's Communist-controlled trade unions.

Mr. Honecker, 74, devoted much of his 70-minute speech to listing the country's economic successes since he took over leadership of the Communist Party 15 years ago.

"We want to continue this course with further success," he said, add-

ing that the country "has an efficiently functioning system of economic and social planning."

Mr. Honecker indicated he considered that economic reforms started by Mr. Gorbachev had already been carried out in East Germany.

The Czechoslovak and East German Communist leaderships, which both had close ties with Mr. Gorbachev's orthodox predecessor, Leonid I. Brezhnev, have appeared reluctant to follow Moscow's political reforms.

But early this month President Gustav Husak of Czechoslovakia gave tentative approval to Kremlin changes as a model for his own country, whose industrial produc-

tion has flagged badly in recent years.

East Germany, expecting a visit by Mr. Gorbachev next month, ranks as the strongest Soviet bloc economy. But the authorities maintain a firm grip on the country's cultural life and allow little debate in the party or the press.

Mr. Honecker's speech to 3,000 trade union delegates dwelled on increases in the standard of living, progress in developing high technology and reforms in industrial investment planned for the beginning of next year.

Mr. Honecker called on West Germany to press for the removal of nuclear weapons, especially medium-range missiles, from Europe.

## Islamic Rally Dispersed by Tunis Police

Reuters

TUNIS — The police fired tear gas to disperse about 100 Islamic students who staged an anti-government protest in central Tunis on Thursday, a government communiqué said.

The police said calm was restored to the city by early evening. The demonstrators attacked foreign buildings and set fire to several police cars, witnesses said.

[A Tunisian official, speaking on condition of anonymity, told The Associated Press that two police officers were injured, five police cars were damaged and two shop windows were broken. He also said that an unspecified number of demonstrators were arrested.]

The young demonstrators chanted slogans against President Habib Bourguiba and in favor of Rachid Ghannouchi, leader of the opposition Islamic Tendency Movement.

Mr. Ghannouchi was arrested last month when Tunisia broke off diplomatic relations with Iran.

He and other detained leaders of the movement were accused of "resorting to violence and collusion abroad aimed at harming the regime."

Tunisia accused Tehran's embassy of trying to stir up anarchy in the country.

It also accused Iran of recruiting Tunisians abroad to carry out illegal acts.

Mr. Bourguiba, 83, was touring the south of the country and inaugurated a factory in Gabes on Thursday.

Since the 1979 Iranian revolution, when Ayatollah Ruhollah Khomeini came to power, the Tunisian government has been alternately tough and tolerant toward Islamic militancy at home.

The authorities cracked down on the movement, which is not officially recognized but is tolerated as a political party, when it was founded in 1981 after disturbances in the country's mosques.

Mr. Ghannouchi was arrested at that time and imprisoned for 10 years for belonging to an illegal extremist group. He was released in 1984.

## Mozambique Rebels Kill 70

Reuters

LISBON — Rightist Mozambican rebels said Wednesday night they had killed 70 government troops and blown up a large section of railroad track and an oil pipeline in a fresh offensive. In a statement distributed here, the Mozambican National Resistance Movement also said it had killed nine Zimbabwean troops and 15 Tanzanians in the attacks.

## WORLD BRIEFS

### Somalia Says U.S. to Boost Military Aid

MOGADISHU, Somalia (Reuters) — The United States has agreed to help increase Somalia's military capability amid reports of increased tension along the border with Soviet-backed Ethiopia, Radio Mogadishu said Thursday.

The agreement was reached Wednesday night in talks between Somali leaders and a delegation led by General George B. Crist, head of the U.S. Central Command, the official radio said. Central Command is a U.S. command with responsibility for 19 countries in the Middle East, Western Asia and the Horn of Africa.

The radio did not say how the United States would help. U.S. officials in Mogadishu said there was no plan to station U.S. forces in Somalia permanently. Somalia allows U.S. forces access to its air and naval base in the northern port of Berbera in return for military hardware.

### Oil Strike in Peru Declared Illegal

LIMA (AFP) — The Labor Ministry declared a four-day strike by 8,000 state oil workers illegal on Thursday, and the military continued its occupation of petroleum installations.

President Alan Garcia Pérez ordered the armed forces on Wednesday night to occupy the refineries and offices of Petropetrol, the state-owned oil company. Workers, demanding pay increases and improved conditions, called an indefinite strike on Monday.

The president of Petropetrol, Jayama Abramovich, said Peru had a 20-day stock of oil, but a union leader, Luis Vargas, said the country could be without fuel in five days. If the demands of workers were not met, Mr. Vargas said, they would take to the streets and begin hunger strikes.

### Suharto Party Heads for a Landslide

JAKARTA (Reuters) — President Suharto's ruling Golkar Party appeared headed Thursday for a landslide victory in Indonesia's national elections, with 80 percent of the vote in initial returns.

Figures released by the National Election Commission showed the party taking 14.47 million votes from the 18.03 million announced so far, out of a total electorate of 94 million.

The Golkar Party took 64 percent of the vote in the last elections in 1982, and set a target of 70 percent in Thursday's poll, the fourth of President Suharto's 21 years of military-backed rule. In Jakarta, the party also led but the resurgent Indonesian Democratic Party, which adopted the portrait of the late President Sukarno as its symbol and has attracted many youthful supporters, was running a strong second.



President Suharto as he voted Thursday in Jakarta.

### Some Yugoslav Miners Return to Work

BELGRADE (UPI) — About 170 miners returned to work Thursday in the Rasa coal mine at Labin, western Yugoslavia, but more than 1,000 continued to strike for a 16th day in protest of a government wage freeze.

The miners who returned to work were members of the Communist Party organization that appealed on Wednesday to all 1,200 miners of strike to return to work. The strike began April 8.

### Palestinians Skirt Issue of Egypt Ties

ALGIERS (Reuters) — Palestinian leaders meeting here to reunify their movement have agreed to bypass the divisive issue of relations with Egypt, delegates at the Palestine National Council said Thursday.

They said that a meeting before the council session on Thursday agreed to emphasize the need for action in accordance with policy set at past Arab summit meetings and council meetings. Past policy called for a freeze on relations with Egypt as long as its 1978 accords with the United States and Israel remained in force.

The compromise effectively defers decision on the issue, because it leaves any action on it to a new executive committee, the 40-member inner cabinet of the PLO chairman, Yasser Arafat, which will be elected later this week.

## TRAVEL UPDATE

### Japan Airline Strike Disrupts Travel

TOKYO (UPI) — Pilots and flight attendants of Japan's two major airlines went on strike Thursday for 24 hours, forcing the cancellation of some domestic and international flights and disrupting 52,000 travelers.

Japan Air Lines said the walkout, prompted by a wage dispute, had caused the cancellation of nine international and 39 domestic flights. All Nippon Airways said 321 of its 458 scheduled flights on domestic routes had been canceled.

A spokesman for JAL said the strike would continue for 24 hours on Friday if no settlement was reached in bargaining on Thursday. Officials of the two airlines said they were helping passengers seek alternative flights or ground transportation.

Spanish airline workers began an undeclared work-to-rule movement on Thursday, but airline sources said it had little effect on flights. Airline sources said ground workers of Iberia and Aviaero were instructed to work the minimum required and not to work overtime. They refused to call the action work-to-rule, which is not allowed by law. (Reuters)

### Lebanon's Divided Cabinet Meets on Economic Crisis

A strike called by the General Labor Federation closed banks, schools and businesses throughout Lebanon as Christians and Muslims joined in a protest against higher prices caused by a sharp decline in the value of the Lebanese pound.

In southern Lebanon, Israeli helicopters fired missiles at the Palestinian refugee camp of Ain al Helweh near Sidon, wounding four persons. Israeli jets dropped leaflets over a wide region warning people not to cooperate with anti-Israeli guerrillas.

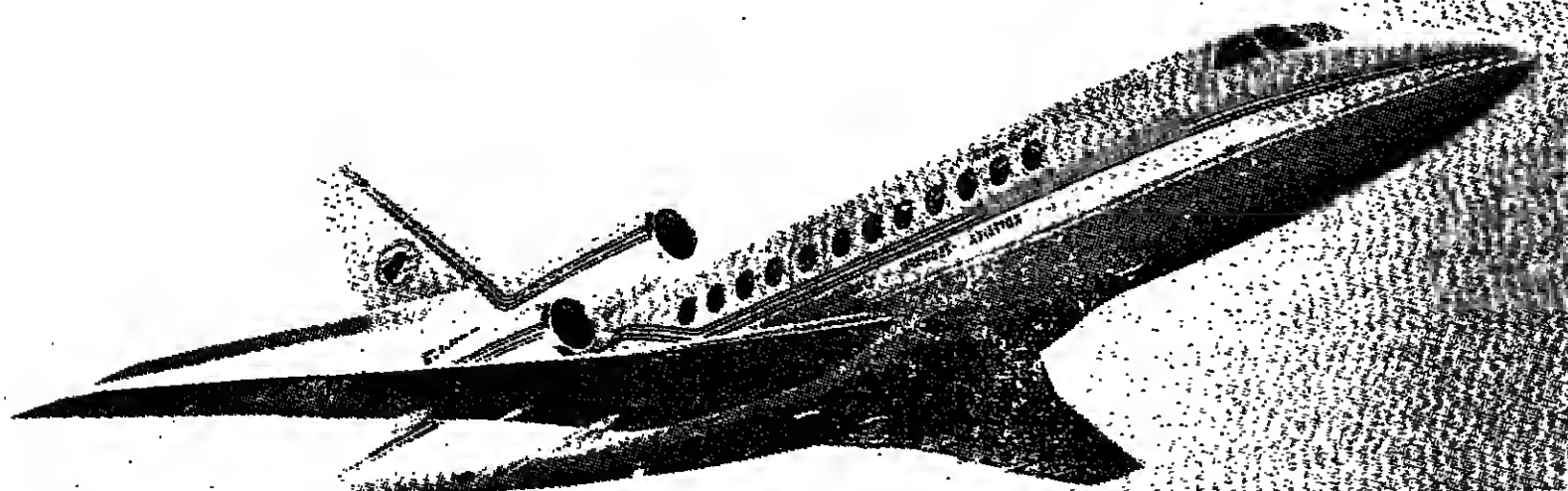
Finance Minister Camille Chamoun said the cabinet meeting was "encouraging." He said the ministers discussed an agenda for a session to be held next week, which was expected to include state subsidies on basic goods and a possible increase in the minimum wage.

The conflict between Muslims and Christian cabinet ministers over ways to end Lebanon's 12-year civil war is seen as the main reason for the country's economic problems.

The Lebanese pound, which is at about 116 to the dollar, has lost 28 percent in value this year and 84 percent since the beginning of 1986, sharply raising the price of imported goods.

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## Argentina's New Army Chief of Staff Is Sworn In

**The Associated Press**  
**BUENOS AIRES** — General José D. Caridi was sworn in Thursday as chief of staff in the civilian government's shake-up of the army command following military camp rebellions over the issue of human rights trials.

General Caridi, 56, told the armed forces to "strictly comply with the law" to avoid a return to the military crisis that swept Argentina in the past week.

He replaces General Héctor Ríos Erenu, one of 24 officers, including 15 generals, who have resigned or been dismissed since the military began April 15.

Second in the army hierarchy now is General Fausto González, 55, the deputy chief of staff, followed by General Miguel Abbate, 55, inspector general and director of the Military Institute.

Five generals retired on Wednesday, joining 10 who left active duty on Monday. Among the most recent retirees was General Ernesto Alsina, who headed loyalist troops that surrounded rebels at the Camp de Mayo base near Buenos Aires on Sunday.

The military — in the western city of Córdoba, in suburban Buenos Aires and in the northern city of Salta — all ended without bloodshed.

The Supreme Court moved Wednesday on the issue of trials of military men accused of murder, torture and kidnapping committed under the rightist military government from 1976 to 1983. The court is expected to rule on whether military men should be tried in civilian courts or in military courts.

The court asked federal courts for detailed reports on the status of all such trials now pending. Legal sources said the action would delay the trials indefinitely.

Amnesty for an estimated 250 officers who face human rights charges was among the chief demands of the past week's militants.

Defense Minister José Horacio Jaurena told the Senate on Wednesday that the Alfonsín administration "is not spending any proposal for an amnesty law." At least four bills that would grant amnesty in varying degrees already have been introduced in Congress over the last six months.

The latest proposal, introduced Wednesday by an opposition senator, Horacio Bravo Bazzano of Salta, calls for voiding all charges against as well as convictions of military or security forces who took part in repression.



General José D. Caridi, right, Argentina's new army chief of staff, with his predecessor, General Héctor Ríos Erenu.

## U.S. Military's Authority In AIDS Cases Expanded

**Washington Post Service**  
**WASHINGTON** — Secretary of Defense Caspar W. Weinberger has approved major changes in the Pentagon's AIDS policy, including provisions for the authorities to revoke security clearances and deny access to classified information to military personnel who test positive for the disease.

The new policy gives the military more authority to control the assignments of men and women who test positive for the acquired immune deficiency syndrome virus, but are disappointing to top army officials, who wanted authority to dismiss military personnel whose tests show exposure to the virus.

The guidelines do give supervisors authority to remove military personnel from a wide array of jobs if they test positive for the virus, including "flight status or other duties requiring a high degree of stability or alertness, such as explosive-ordnance disposal or deep-sea diving."

A Defense Department spokesman, Lieutenant Colonel Pete Wyro, said the authority to revoke security clearances and deny access to classified material were included in the policy because the stress of coping with a positive test result could affect a person's "ability to perform."

The Defense Department will continue to allow military personnel to remain on the job until symptoms of the disease affect their work.

The new rules exclude the Pentagon's one million civilian employ-

ees from the mandatory AIDS tests that have been imposed on recruits, active-duty military personnel and students at service academies.

The revised rules, in response to complaints from civil rights and homosexual rights groups, attempt to provide more privacy protections for those who test positive.

The policy also addresses reserve troops for the first time, restricting the service of those who test positive for the virus and denying reserve medical treatment for the disease at military hospitals and clinics.

## U.S. Budget Limit Waived by House

**The Associated Press**  
**WASHINGTON** — The House of Representatives voted on Thursday to waive its budget limits to allow action on a package that adds \$11 billion for spending programs this year.

The House speaker, Jim Wright, Democrat of Texas, promised that Congress would rein in the spending bill before final enactment. "It will be in the budget limits by the time it is passed and sent to the president," he said.

The fiscal 1987 supplemental appropriations bill would push the government's total spending authority for the current fiscal year at least \$2.2 billion above the \$1,093 trillion limit Congress approved last year.

## Nixon Moves U.S. Knew in '79 of Moscow Embassy Bugs To Block Release of Some Files

**By David B. Ottaway**  
**Washington Post Service**  
**WASHINGTON** — The United States knew from the start of the construction on its new embassy complex in Moscow in 1979 that the Soviet Union was planting listening devices in the chancery building, Robert E. Lamb, assistant secretary of state for administration, has testified.

But it was six years before officials discovered that devices had been implanted in the building's structural elements, he said. "We knew the Soviets were going to bug us," Mr. Lamb told the House Foreign Affairs subcommittee on international operations on Wednesday. "We had a strategy for finding it."

Americans who supervised the construction had been given information "on bugs coming in" by U.S. construction personnel and U.S. Navy Seabees who were working at the site, Mr. Lamb said.

A special interagency task force was established in 1979 to counter the threat, Mr. Lamb said. But the counterintelligence task force, established under President Jimmy Carter, did not foresee the possibility that Moscow would use "the structure itself as part of the bugging," he added.

Listening devices were implanted in precast concrete and around the building's reinforcing bars, which were made by a Soviet company without U.S. supervision. Those materials were used in the construction of the chancery walls and floors.

In August 1985, six years after construction began, the Reagan ad-

ministration halted all work on the chancery after discovering the devices in the structure. Soviet construction workers were then "locked out" of the site and work has not resumed.

Mr. Lamb and his aides indicated Wednesday that U.S. counterintelligence agents had thought at first that they could "neutralize" listening devices and turn their knowledge of the Soviet efforts to their advantage.

But devices implanted in the structure "are the kind of things that are going to be difficult for us to neutralize," said Mr. Lamb, who is head of the State Department's Bureau of Diplomatic Security.

He insisted it was "premature" to conclude that the only option was to tear down the unfinished chancery building and start again.

Richard N. Derdarian, deputy assistant secretary of the department's Foreign Building Office, said the government was contemplating the "deconstruction" of the

top two or three floors of the chancery.

Mr. Lamb sought to reassure committee members that "very good technical minds" in the U.S. counterintelligence community were working to establish a secure area within the new embassy.

"We will not allow them to occupy Mount Alto until we have a secure embassy in Moscow," he said, referring to the new Soviet embassy buildings on Mount Alto in Washington.

He also said that if Americans were surprised at the Soviet methods used in bug the U.S. Embassy in Moscow, the Russians were "even more surprised" by the highly sophisticated countermeasures the United States had used to discover the Soviet bugs.

Mr. Lamb said the problem of unauthorized contacts between the embassy's Marine guards and Soviet women was not as widespread as first thought. After intense interro-

gation, and in some cases administering polygraph tests to members of the Moscow guard detachment, it was now thought that "less than 10, maybe less than half a dozen" of the guards had known that "an individual marine" had been involved in "clandestine fraternization."

Meanwhile, a Marine guard charged with espionage at U.S. diplomatic posts in the Soviet Union was offered immunity from prosecution in return for testifying against one of his colleagues but rejected the offer, according to a defense attorney in the cases.

Corporal Arnold Bracy said "he didn't need anything," according to Charles Carter, an attorney for the National Association for the Advancement of Colored People. The organization has agreed to help represent Corporal Bracy.

U.S. Marine Corps officials declined to comment Wednesday on Mr. Carter's statements.

## Danger to Fetuses in Low Lead Levels

**Reuters**  
**BOSTON** — Pregnant women who have been exposed to much less than the legal limit of lead may still poison their unborn children, medical researchers warned Wednesday.

In a study published Wednesday in the New England Journal of Medicine, scientists from Massachusetts and Pennsylvania concluded that a fetus might be ad-

versely affected at concentrations well below the federal limit of 25 micrograms of lead per deciliter of blood.

Lead can enter the blood stream through the inhalation of air polluted by leaded automobile exhaust or the ingestion of dust created as leaded paint wears away.

In tests of 249 children studied between birth and age 2, the researchers said they discovered that

children born with lead levels of at least 10 micrograms per deciliter of blood scored nearly 7 percent lower on developmental tests than children with little or no lead in their blood.

David Bellinger, a neurologist at Children's Hospital in Boston and leader of the study team, said the data indicated that women who absorb lead during pregnancy might cause lead poisoning in their children.

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## BY TAKING A CANADIAN.

## U.S. Airlines Warned on Bad Service

**The Associated Press**  
**WASHINGTON** — U.S. senators warned airlines on Thursday to improve services and cut delays or face possible renewed regulation or heavy penalties.

"The airline industry, in its zeal for competition, has gone absolutely hog wild," said Senator J. James Exon, Democrat of Nebraska, at a hearing of the Senate Commerce Committee.

At the hearing, executives from three major U.S. airlines acknowledged a consumer backlash because of the increasing number of delays and other complaints.

"I think the government is going to have to come in here with some re-regulation," said Senator Ernest F. Hollings, the South Carolina Democrat who is chairman of the committee.

The executives from American Continental and Delta airlines told the Senate panel that they were prepared to make on-time flight information and other consumer information available to travelers if other airlines were required to do so.

The federal government, which once kept on-line statistics, has stopped the practice as part of the Reagan administration's effort to reduce government paperwork. No airline has offered to supply the information independently for fear of being put at a competitive disadvantage.

"Consumers do not currently have the information they need to make meaningful choices" about competing airline services, said Thomas G. Plaskett, president and chief executive officer of Continental Airlines. Continental has been cited as a leading target of traveler complaints.

Airline delays increased by about 25 percent last year and the delay problem has continued in 1987. Complaints about airline service to the Department of Transportation have soared in recent months.

Complaints of delays, lost baggage and poor flight choices have prompted the introduction of a flurry of airline passenger protection legislation.

Senator Robert W. Kasten Jr., Republican of Wisconsin, said he was confident that Congress would approve passenger protection legislation this year. He said the sentiment for stronger regulatory action, including possible imposition of stiff fines for shoddy airline service, increasingly was being dis-



Hosni Mubarak speaking to the legislature Thursday.

## Egypt Stresses U.S. Ties Despite Dispute on Debt

**Compiled by Our Staff From Dispatches**  
**CAIRO** — President Hosni Mubarak dismissed on Thursday reports that Egypt might switch allegiance from the United States to the Soviet Union because Moscow responded favorably on Egypt's debt problems and Washington did not.

Addressing the opening session of the new legislature, he also said Egypt was close to an agreement with the International Monetary Fund to reschedule foreign debts of more than \$38.4 billion.

In his address to the 458-seat People's Assembly, which was elected April 6, Mr. Mubarak said reports in an opposition newspaper of a policy shift from Washington to Moscow were "reckless and irresponsible."

He said the newspaper had "falsified the facts by saying that Egypt is witnessing a sudden foreign policy shift in which it will change course and friends on account of an alleged rejection by one country of Egyptian requests in the economic field."

Egypt has been unhappy about U.S. reluctance to ease the burden of Egypt's \$4.5 billion military debt.

Cairo had asked that interest on the debt be cut in half to 7 percent. The United States proposed that Egypt either repay the entire debt to avoid the interest or defer payment of part of the interest, adding it to the principal. Consultations are under way on the issue.

Egyptian officials have said that the Soviet Union has agreed to reschedule Egyptian debts.

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# Herald Tribune

Published With The New York Times and The Washington Post

## Say No to Gephardt

The party that launched a half-century of world trade expansion now threatens to take America back to its protectionist past. That is what the House leadership's amendment to the foreign trade bill would do, and it spells trouble.

The offensive amendment comes from the Democratic whip, Richard Gephardt, who has made trade the key issue in his presidential campaign. He is right to do that, but he comes out, with full support from Speaker Jim Wright, on the wrong side.

The amendment would authorize—in fact, virtually compel—severe curbs on imports from Japan, West Germany, South Korea, Taiwan and perhaps others. It is inconceivable that these countries would take such humiliation without fighting back. This is the path to less trade.

Representative Gephardt targets countries that use "unfair trade practices" and have large export surpluses in their American trade. Since all countries, including the United States, are guilty of some unfairness, the amendment essentially penalizes surpluses that Washington deems "excessive." There is nothing wrong with cracking down on unfair tactics; there are already international procedures for that. But cracking down on "too much" is too much.

The amendment prescribes brief negotiations aimed at eliminating alleged unfair

practices and reducing the surpluses. If they fail, Washington would limit imports from that country enough to cut the imbalance by 10 percent a year. For Japan, that would be a \$6 billion hit each year.

Mr. Gephardt's approach appeals to unions and others who are certain that foreigners have caused America's huge trade deficit. They are wrong: the trade deficit stems mostly from huge budget deficits and the upsurge of the dollar. Far from restoring competitiveness, protectionist restrictions only protect inefficiency.

Current law already authorizes adequate penalties on countries that discriminate against American goods. Responding to pressure for still more, Chairman Dan Rostenkowski has worked a modified Gephardt approach into the Ways and Means Committee's overall trade bill. The committee's penalties would be less automatic and less severe than Mr. Gephardt's, but they would still strain internationally accepted trade rules. The House considers both versions next week.

The Gephardt amendment would not solve the trade problem, would worsen relations with good friends and would hurt, not help, trade expansion. President Reagan rightly threatens a veto. Congress would do well to defeat it long before.

—THE NEW YORK TIMES

## Was Justice Done?

Leave aside for the moment the fact that the charges against Karl Linas have not been proved or even tested in an American courtroom. For purposes of argument, it is possible to assume that he was guilty of every wartime atrocity for which a Soviet court convicted him and sentenced him to death in absentia in 1962 and still be troubled by his deportation this week to his native Estonia, now a part of the Soviet Union, where the sentence is likely to be carried out.

No one in his right mind can approve or extenuate in any fashion the despicable things of which Mr. Linas, now 67, was accused. There can be no statute of limitations on Nazi war crimes, even when, as in this case, the accused has lived peacefully in the United States for more than half his life. (He arrived in 1951, became a citizen in 1959 and was stripped of citizenship in 1981 for being found to have entered the country under false pretenses.)

It is the form of the justice that was administered to him that causes concern, specifically that Mr. Linas, having been charged with mass murders in a concentration camp during World War II, was tried, convicted and sentenced by a Soviet court. He has never had a criminal trial in Ameri-

ca, which does not have jurisdiction to try him for offenses committed in Eastern Europe. The immigration procedures do not afford a defendant the same protections as in a criminal trial, yet Mr. Linas is back in the Soviet Union facing execution.

Mr. Linas chose years ago not to try to relinquish his citizenship and move to another country that would take him, as other accused war criminals have done. Nor did he testify at or even attend the deportation hearings. His lawyer decided not to attend sessions in Estonia where witnesses' testimony was videotaped—witnesses who were not cross-examined. Nevertheless, the deportation proceedings went forward, and Mr. Linas lost at every stage.

Justice Department attorneys are confident that Mr. Linas would be convicted even in an American courtroom. But he was convicted in a Soviet courtroom where, regardless of the facts in this particular case, American standards of due process do not begin to apply—to put it mildly. Justice must be done to Nazi war criminals, but a true and disturbing question remains whether justice by accepted American standards was done in this case, where a human life—never mind what kind of a life it may have been—is on the line.

—THE WASHINGTON POST

## Yes, Drill in Alaska

Alaska's Arctic National Wildlife Refuge is an untouched and fragile place that supports rare mammals and myriad species of birds. It is also the most promising untapped source of oil in North America. Should America drill for it?

What Congress decided, in 1980, was not to decide. It ordered a long study. The assessment is now in, and for Interior Secretary Donald Hodel the decision isn't even close: leasing drilling rights to oil companies is "vital to our national security" because it "would reduce America's dependence on unstable sources of foreign oil."

Mr. Hodel is guilty of oversell. A single discovery cannot save Americans from rising dependence on Middle Eastern oil. But the potential economic benefit of development, perhaps tens of billions of dollars of oil, outweighs the risks. The unanswered question is whether environmentalists and developers can cooperate to minimize damage.

The Interior Department estimates that between 600 million and 9.2 billion barrels of oil are recoverable from a 20-by-100-mile (32-by-160-kilometer) strip along the Arctic coast. But no matter how carefully done, development of the coastal strip would displace animals and scar land permanently.

Tracts of vehicles that crossed the tundra decades ago are still visible. No one knows whether the caribou herd that bears its young near the coast would stop reproducing or simply move elsewhere. Advances in this battle view development as ecological catastrophe or energy salvation. Outsiders can wonder why such

apocalyptic fuss. An unusual environment would surely be damaged, but the amount of land involved is modest and the animals at risk are not endangered species. A lot of oil might be pumped, but probably not enough to keep America's motors running for an entire year. Ultimately, policy makers must weigh the dollar value of the oil against the intangible value of an unspoiled refuge.

The most likely net value of the oil, after accounting for costs and assuming a future world price of \$33 a barrel, is about \$15 billion. How much an untouched refuge is worth is anyone's guess—but it is hard to see how it could realistically be judged worth such an enormous sum. If the United States had an extra \$15 billion to spend on wilderness protection, it would not be spent on this oil sliver of land.

That does not mean that developers should be permitted to treat the refuge as another Bayonne, New Jersey. Elaborate, necessarily expensive precautions are needed to contain the disruption. Human and machine presence can and should be kept to a bare minimum until test wells are completed. Dense caribou calving grounds should be left alone until the animals' response to change is gauged.

A decade ago, precautions in the design and construction of the 1,000-mile-long Alaska pipeline saved the land from serious damage. If oil companies, government agencies and environmentalists approach the development of the refuge with comparable care, disaster should be avoidable.

—THE NEW YORK TIMES

## Other Comment

### For a Fresh Start in Sri Lanka

This week's killings in Trincomalee and Colombo and the reprisals that have already begun are the latest and most gruesome reminder of how deep and bitter is the ethnic division [in Sri Lanka]. The present upsurge in violence can be ended only by a political solution. Now that regional mediation has patently failed, there is perhaps a chance in mediation from further afield. The Commonwealth secretary-general, Sonny Ramphal, might be a suitable figure to bring the two sides together for a fresh start.

The basis for a settlement may lie in President J.R. Jayawardene's so-called "December 19" proposals. These provided, among

other things, for Tamil areas to be given a degree of autonomy and for a division of the Eastern province to meet Tamil demands for greater participation in government.

The problem is that the president's commitment to these proposals has appeared to waver in recent months. At a new set of talks with a new mediator he would have an opportunity to renew his commitment. The Tamils, for their part, their cause weakened by this week's barbaric killings, might be more open to a compromise along these lines than they were before.

Today the outlook seems grim, but deep in the ashes of this week's tragedies may yet lie the seeds of eventual peace.

—The Times (London)

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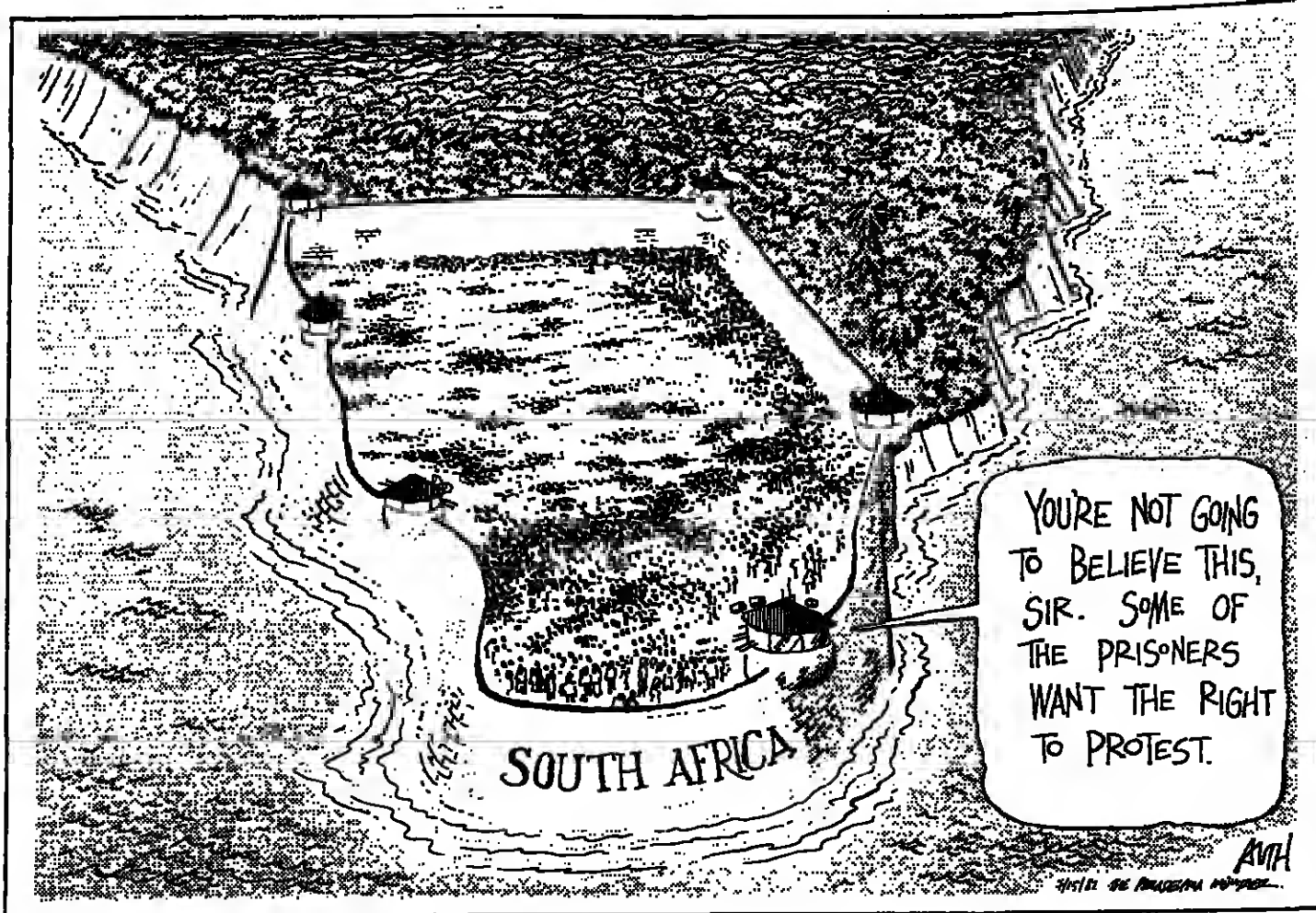
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## OPINION



## This May Be the Chance for a Historic Turnaround

By Thomas J. Watson

The writer was U.S. ambassador to the Soviet Union from 1975 to 1981.

GREENWICH, Connecticut — George Shultz's breakthrough in Moscow promises an agreement on missiles in Europe and a summit meeting. But that prospect lifts only a small corner of the shroud hiding a remarkable opportunity to turn decisively away from the final superpower confrontation that has long seemed almost inevitable.

The opportunity goes beyond arms control. It springs from Ronald Reagan's broad vision and Mikhail Gorbachev's "new thinking." Mr. Reagan's vision is closely tuned to Americans' deepening grasp that deterrence has a dark underside. Since civilization may not survive if the nuclear machinery is set in motion just once, the threat of using nuclear arms—the policy of deterrence—seems risky and unconvincing.

When it comes to replacing deterrence, however, Americans have always been stumped by the Soviet problem: How can we get away from nuclear arms if the Soviet Union is ready to move in on our friends all over the world as soon as we let down our guard? That is what worries our European friends about the Moscow talks. The NATO ministers urged Mr. Shultz not to accept Moscow's offer to destroy its short-range missiles but to build up America's instead.

This moment is special because the Russians now say they understand the problem. They, too, believe that nothing can justify the use of nuclear weapons. They say that even if they don't agree, they do understand the

connection we make between our nuclear weapons in Europe and the threat we see from Soviet conventional forces. Importantly, the Soviets no longer maintain that nuclear arms control can be kept separate from problems around the world.

Words, of course, are not deeds. But there have been deeds, particularly in arms control, where Soviet concessions and initiatives have become commonplace. There is little concrete to point to on regional problems, and the Soviet Union remains in Afghanistan despite talking convincingly about wanting to get out. But in recent years the Russians have not embarked on new foreign adventures.

The point is not that the Kremlin will do whatever we ask but that it is ready to discuss everything we think important, with the goal of closing all avenues to nuclear war.

This moment is also special for another reason: Ronald Reagan. His Strategic Defense Initiative and his discussion in Reykjavik with Mr. Gorbachev about abolishing nuclear missiles sprang from the common sense judgment he shares with the public: Nuclear deterrence is risky and flawed as a long-term policy.

The experts quickly turned the SDI into a way to perpetuate deterrence and pick holes in Reykjavik. But Mr. Reagan has shown that he can see the big picture. He decisively brushed

aside the hand-wringers who thought Mr. Shultz should stay home and who put because we suffered ignominious setbacks in the espionage game.

It would fit Mr. Reagan's style to seize the initiative, to push Mr. Gorbachev to the "new thinking" allows on crucial questions. Can we not only reduce nuclear weapons but also jointly end the dangers in festering crises around the world?

In particular, can Moscow cut back its conventional forces in Europe in order to ease the concern expressed to Mr. Shultz by the NATO ministers that nuclear cuts might make conventional war more likely? Can we and Moscow agree on what to do about

weapons and counterweapons in space in a way that makes everyone safer? Can military cuts help America solve its budget deficit and the Russians revive their stalled economy?

We will get answers by applying energy, imagination and cool heads. The president need not do all this himself. But he has to give the orders, and to insist that everyone in the administration fall in line—or get out.

Forty years ago, some thought the atomic bomb might end the cycle of world wars. Instead, we and the Russians embraced it as a useful tool. Finally, however, the message has got through. Both America and the Soviet Union may now be ready to try for a historic turnaround. If we fail to seize the moment, history will never forgive us—if there is a history.

The New York Times

## Distrust Slogans and Insist on Security

SLOGANS are useful in debate, but dangerous as policy. Serious statecraft requires that the policy drive the slogan, not vice versa; when the slogan drives the policy, the inmates are running the asylum. That is one of the traps Washington risks falling into in the current drive toward a "zero option" agreement on limiting nuclear missiles in Europe.

The danger is that a public relations posture will overwhelm strategic sense: that what began with slogans coined to steal the clothes of the militant European left will end up driving the American negotiators. In the Moscow package there may, as the Reagan administration insists, be the elements of an acceptable deal. But it should not feel so constrained by its own earlier advocacy of the zero option that it rushes to take yes for an answer.

It is time for the West to throw away the slogans and get serious about what future security requires. Then a deal can be cut with the Soviets—if they are seriously interested in one that gives Europe sufficient protection.

—Syndicated columnist Raymond Price

## To Be Credible, Deterrence Has to Be Conventional

By Edwin M. Yoder Jr.

WASHINGTON — I am confident that he never knew it, but Maxwell Taylor, who died last Sunday, taught me an unforgettable lesson: Good ideas can be dangerous.

In 1959 General Taylor published, and I devoured with profound agreement, "The Uncertain Trumpet."

The book provided an elegant and beguiling answer to the dilemma which then as now weighs on us all: how to keep nuclear responses unlikely by making deterrence credible.

The Eisenhower administration, then winding down, had made economy on defense a cornerstone of budget policy. If, as a president before or since, had the authority to insist on it. The means of economy was to pare down conventional forces, meaning mainly the U.S. Army. By an inexorable logic, that entailed ever greater reliance on nuclear weapons. Thus originated the loathsome doctrine of "massive retaliation"—an American threat to greet any aggressive act, however trivial, with a nuclear strike.

General Taylor's book said what many thought: that "massive retaliation" was a bluff. But it carried the prestige of a scholarly and gallant soldier who was known to have battled the "bigger bang for a buck" bersey as army chief of staff.

He argued that "massive retaliation" was patently incredible on its face. Did anyone, including the Russians, actually think America would dispatch B-52s to level Moscow and Leningrad if a Russian rifle company slipped across an defended border somewhere in Europe?

What General Taylor proposed instead was "flexible response," a subtler vocabulary of deterrence that would include many gradations between the whisper of surrender and the irremediable scream of massive retaliation. Of course, it meant manpower—army manpower.

The general's argument reached and impressed people who could

make something of them—including John Kennedy. As president, Mr. Kennedy would install Maxwell Taylor ("my kind of general") as chairman of the joint chiefs and General Taylor's flexible response as his kind of strategic doctrine.

President Kennedy's twin enthusiasm for both flexible response and missiles was in a way odd. Was he unaware that "The Uncertain Trumpet," apart from its intrinsic merits, bore on fierce inter-service rivalries? The air force had become the main custodian of nuclear deterrence; massive retaliation was its cup of tea. General Taylor, however, was first and last an army man, and flexible response was good army doctrine. Mr. Kennedy, carrying water on both shoulders, adopted the "missile gap" as his campaign cry. To be simultaneously a scourge of the missile gap and a fan of flexible response was quite a trick. Perhaps that was the (political) point.

In the upshot, Maxwell Taylor's "flexible response" became the quasi-official strategic benchmark of the Kennedy administration—a welcome change, many of us thought, from the all-the-eggs-in-one-basket strategy of thinking of the Eisenhower years.

The trouble began when it was blended with other military fashions of the day—for example, the unconventional-warfare theories of Sir Robert Thompson, who had directed the successful British suppression of the Communist insurgency in Malaysia. Thus it pointed directly toward, if it did not actually ordain, the great misadventure in Vietnam.

With the silver bullet of flexible response, so the thinking went, the United States need not sit by while Communists pared away the free world slice by slice, in waters too thin for nuclear response. There could be reactions short of Armageddon. The insurgency in Southeast Asia, to which Ike had barred a nuclear reaction in 1954, was a perfect example. Now something could be done.

I wonder now what Maxwell Taylor came to think of this wholly unintended side effect of his thinking. Was he wrong? Not at all. His argument was sound and sane in the late 1950s; it is equally so now. Complacency and parsimony largely explain the continuing failure to develop the conventional punch in NATO which, by insuring deterrence, would make nuclear war less likely. The problem with flexible response lay in the perverse outcome to which it led, logically enough, in the special case of Vietnam.

Thus I owe General Taylor thanks for the memorable teaching that even the best ideas can sometimes have terrible consequences.

Washington Post Writers Group

## Don't Be Party to a Pakistani Bomb

By Joseph S. Nye Jr.

CAMBRIDGE, Massachusetts — Pakistan is pressing ahead with plans to build a nuclear bomb. This week the Senate is dealing with the Reagan administration's request for a six-year, \$4.02 billion economic and military aid package for Pakistan. It must be mindful that Pakistan has consistently not leveled with America about its so-called peaceful nuclear program.

In 1981, Alexander Haig, then secretary of state, told Congress that U.S. aid would influence the shape and direction of Pakistan's nuclear program. Yet Pakistan has enriched its uranium to weapons-grade levels. Pakistanis have been caught in Houston illegally trying to export devices used in triggering nuclear explosions and President Zia ul-Haq has proclaimed that Pakistan can build the bomb whenever it wishes.

Pakistan's determination has deep roots. When India exploded a nuclear device in 1974, Zulfikar Ali Bhutto, then prime minister, vowed that Pakistan would catch up or else. Pakistan has been trying to persuade Pakistan out to take the next nuclear steps. But merely renewing the aid package without new restrictions would reduce U.S. leverage and set a terrible precedent.

Washington will increasingly face such dilemmas as how to deal with India, Israel and South Africa, which hover around the threshold of a first nuclear test. India has not developed a bomb despite its 1974 explosion of a crude device. Israel has developed bombs but not exploded them. South Africa may be following Israel's example.

Fortunately, the dilemma in the Pakistani case is not as sharp as in all other cases. Cutting off all aid would cost the United States what leverage it has in trying to persuade Pakistan out to take the next nuclear steps. But merely renewing the aid package without new restrictions would reduce U.S. leverage and set a terrible precedent.

late parts of the aid package to several American goals.

The United States wants Pakistan to avoid a nuclear test that would force India to reverse its policy of not building an arsenal. Thus, legislation passed in 1980 that mandates cutting off assistance to any country that explodes a nuclear device should be left intact.

Yet because Pakistan can still build an arsenal without an explosion, by using computer models and the experience of other countries, Congress should require that advanced military systems and high levels of economic and military aid not be provided unless the president could reliably certify that Pakistan was not building a nuclear arsenal or enriching large amounts of weapons-grade material.

If Pakistan or India were willing to take steps to allow neutral inspection of nuclear facilities, or to develop the concept of South Asia as a nonnuclear-weapons zone, the United States should then be prepared to increase levels of assistance.

None of these proposed measures is perfect. But if Congress merely renews the aid package, with no new nuclear conditions, it will set short a critical national security interest.

The writer, professor of government at Harvard University, was chairman from 1977 to 1979 of the National Security Council's committee on non-proliferation. He contributed this comment to The New York Times.

## Tomorrow, U.S. Trade In the Black

By Lester C. Thurow

CAMBRIDGE, Massachusetts — Last year the United States had the largest merchandise trade deficit ever recorded by any country: \$166 billion. By dint of its sheer size, the trade imbalance will affect the U.S. economy profoundly, putting Americans into the unaccustomed position of having their standard of living linked closely to the world economy.

There is, however, some good news: It takes 4 million full-time, year-round workers to produce \$166 billion in goods. Thus, when the United States balances its international accounts, up to 4 million new jobs could be created in manufacturing. Total employment will not grow by 4 million because many of the people filling these new manufacturing jobs will come from the services industries. But wages will rise in the services industries as they seek to retain some of their best workers.

On the other hand, real spending power is apt to fall. A \$166 billion trade deficit means that America's consumption in 1986 was 4 percent more than its production. Consequently, if the U.S. trade deficit were to disappear this year without increased production, Americans would be forced to accept a 4 percent reduction in their standard of living. Further reductions in the living standard might be necessary to cover interest payments on international debt.

But will the trade deficit disappear? The answer is unambiguously yes. No country can forever run a trade deficit. To do so it must forever

The trade relationship between America and Japan will be reversed.

run ever deeper into debt at ever more rapid rates, an impossible feat. The compound interest that must be paid on those ever increasing debts would eventually overwhelm the rest of the world's willingness and ability to lend. When the lending stopped, the dollar would fall because it must fall to bring American exports and imports back into balance.

The United States, moreover, is going to become a nation with a trade surplus. In the long run, any country that has become a net debtor must run a trade surplus. That is the only way it can earn the money necessary to pay interest on its debts.

As a result, we know with 100 percent certainty that eventually the current trade relationship between the United States and Japan will be reversed. Today the United States has a large trade deficit and Japan has a large trade surplus. Tomorrow, as the world's largest net debtor, the United States will need to have a substantial trade surplus, and Japan, as the world's largest net creditor, will need to have a substantial trade deficit.

What we do not know is the timing. How much money can the United States borrow before the rest of the world regards further loans as too risky? Never before has the world's richest country been a net debtor, much less one with record trade deficits. The world's reserve currency—that is, the currency used for world trade—has never been held by a net debtor nation. To put it another way, the financial world is on new ice and no one can tell whether it is one foot or a quarter of an inch thick.

If the world were willing to lend the United States as much, relative to GNP, as it has to Mexico, the United States could borrow at least \$650 billion; at current borrowing rates, that would not occur until the spring of 1989. Chile was allowed to borrow much more than Mexico—130 percent of its GNP. If the United States were allowed to borrow 130 percent of its GNP, it could borrow \$6 trillion before the rest of the world stopped lending. Even at current borrowing rates, the world would not occur until well into the 21st century.

The dollar being the world's reserve currency, hundreds of billions are held in America by foreigners principally for safety rather than for investment purposes. Dollars are the equivalent of money in the mattress. But what safety is to be found in a country that is the world's largest net debtor? Those interested in safety might bail out of dollars tomorrow morning.

Which of these scenarios will be played out? All we know is that the United States eventually will become a nation with a trade surplus. That is not a prediction but a statement of simple economic arithmetic.

The writer is professor of management and economics at the Massachusetts Institute of Technology. He contributed this comment to the Los Angeles Times.

## IN OUR PAGES, 75 AND 50 YEARS AGO

### 1912: Is Safety Ignored?

PARIS — [Readers write about the Titanic] "What a price we have paid for speed and luxury in crossing the Atlantic! May this terrible lesson bring its reforms, and let us have ships well manned and equipped to save life in time of peril rather than ocean palaces fitted with all the paraphernalia of summer resorts, which have no proper place on the ocean."

"Searchlights are used on large Hudson River steamboats and on war vessels with telling effect. Why could they not be used on ocean liners? Surely from the Titanic the fatal iceberg could have been sighted on a clear night far enough away to have escaped its deadly impact."

"Enclosed please find cheque for 500 francs, which kindly have distributed to families of the bandmen who showed such heroism in the catastrophe of the Titanic."

### 1937: Italy and Austria

VENICE — Premier Benito Mussolini and Chancellor Kurt von Schuschnigg issued a communiqué [on April 23] which radically alters the peace structure of Central Europe. Premier Mussolini, who has championed the independence of Austria, deleted from the communiqué any mention whatever of Austrian independence. In place of guarantees that Italian troops will be rushed to the Brenner Pass if the Nazis threaten Austria, the communiqué says that no stabilization can be achieved in Danubian Europe without the participation of Germany. No mention is made of the struggle which grew out of von Schuschnigg's insistence that Austria cannot align itself with any military bloc which has aggressive purposes, and Mussolini's equally strong insistence that Austria should join in the isolation of Czechoslovakia.



## OPINION

هكنا من الأهل

## If Enough People Write, Word Will Get Through

By A.M. Rosenthal

NEW YORK—This is addressed to those many Americans who believe strongly that Mikhail Gorbachev is trying to lead his country into a new era of political and personal freedoms and that the United States should do what it can to support him.

There are those, myself included, who have doubts. But the purpose of what

## ON MY MIND

follows is not to debate what is going on in the Soviet Union but to call out the names of 20 political prisoners in the Soviet prison system who are among the most suffering, hoping that doing so now might bring their liberation closer.

It seems reasonable that if those Americans who have confidence in Mr. Gorbachev were to make themselves heard about these men, it might carry special weight. They can do so by writing to Mr. Gorbachev, who is responsible for the KGB, the political police army that has imprisoned them, or to the prisoners themselves. The prisoners will probably never get the letters but their jailers will report to higher ranks in the KGB.

Russian dissidents believe that signs of interest from the outside can be of help. At least it will diminish the particular sadness of political victims who believe the world is indifferent.

These prisoners are not guerrillas or terrorists or leaders of conspiracies against the Soviet state. They have been imprisoned for what they said, thought or wrote about the freedoms in which they believe. One prisoner was jailed because he carved a sculpture in honor of American liberties. Their crime is called "anti-Soviet propaganda."

Their address: U.S.S.R. 618263, Permiskaya oblast, Chusovskoy raion, poselok Kachino, uchr. VS-389-36-1.

This is the address of VS-389, a large prison in the Ural, in the Perm area, where many prisoners are situated. Perm

is a vast district closed to foreigners. The last three numbers are known to every Soviet dissident. They designate the "special regimen" prison-within-a-prison where political prisoners who have not been broken by previous jail terms are sent to be locked up, starved, destroyed mentally and physically.

These are the "forgotten prisoners" whose release the Soviet Union will not discuss. Not one prisoner in 36-1 has been released under the decrees freeing other dissidents. Nor has their treatment been made more bearable.

They wear striped convict clothes, spend much of their cell time in solitary and work at hard labor. In the morning they are fed bits of old fish and watery gruel. In the afternoon, entrails or lard and odorous soup. In the evening, the soup. It is a diet to keep the prisoners in perpetual starvation and nausea.

They come from all over the Soviet Union. What they have in common is that they are prisoners of conscience who could not be broken. Released, they again offend by writing or talking about political or religious freedoms. Then they are sent to 36-1.

The only time they leave 36-1 is for what is called special interrogation. Then they are brought back, still unbroken. Ten escaped in the last few years, by dying in 36-1.

Some have spent 10 years in political prisons. Balya Gajanskas is now 61 years old. He is a Lithuanian who did not accept the absorption of his country into the Soviet Union. His essays, translations of freedom writings into Lithuanian—including Solzhenitsyn's—have cost him 35 years of his life. Thirty-five.

Petro Ruban: He was sent back to prison for the third time for creating a wooden carving depicting the Statue of Liberty. That was in 1976 and it was supposed to be a Bicentennial offering.

These are the other names, listed for honor's sake: Anat Arshakyan, Gennady Astashev, Boris Borzov, Mykola Horbal, Mikhail Horyn, Vitaly Kalynovchenko, Ivan Kandyba, Lev Lukynenko, Vasil Mazurak, Asht Navasardyan, Mart-Olav Niklas, Vyacheslav Ostroglyad, Vasil Ovsienko, Viktor Petkus, Gri-gory Prikhodko, Semyon Skalik, Ean Tarto, Fyodor Trufanov.

Among them are poets, a psychologist, teachers, workers, a philologist. Most were first imprisoned in Stalin's time. They remain imprisoned in Gorbachev's.

The U.S. Helsinki Watch Committee, set up to see if Moscow is living up to its promises of human rights, has more information: 36 West 44th Street, New York, N.Y. 10036. So does the Center for Democracy: 358 West 30th Street, New York, N.Y. 10001.

If enough people write to the prisoners in 36-1, somehow the word will get through and they will not feel forgotten.

The New York Times.

Cobbett/William F. Buckley Jr.

Every Extra Ounce

THE most dramatic modern account of what human nature will adjust to under adversity is Solzhenitsyn's "One Day in the Life of Ivan Denisovich." The prisoner in the labor camp has elated highs and abject lows. An extra two ounces of bread is Ivan's equivalent of a blissful honeymoon. Out beyond the present limits of Soviet subjects' imagination is that extra ounce of bread. If Mikhail Gorbachev awakens the appetite for it, he will be a formidable historical figure: formidable as a potential ally to the liberalization of the regime, and also as a potential enemy of the heavy, entrenched Kromskaya for whom every ounce of bread given to the people is an ounce taken from their private supply.

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Cobbett/William F. Buckley Jr.



"Well, this time the Japanese have gone too far!"

## Do I Want to Know About Illness to Come?

By Ellen Goodman

BOSTON—A friend of mine, prone to misplacing her keys and the names of colleagues, remarks on this weakness with an offhand remark about it being "a symptom of early Alzheimer's." She says this lightly, mind you, but she says it frequently. It is not hard to hear in her words the accent of anxiety.

The woman has, in fact, seen this disease rob others in her circle of their memory, and then of their ability to reason, and then of their lives. If each of us focuses secretly on some future dread, hers comes with a name.

Not surprisingly, it was this friend who pointed out the article. A biochemist, Miriam Schreiber, had announced a new blood test that might diagnose Alzheimer's disease in its early stages, that might indeed be used in the future to identify healthy people who are at risk. Would you, my friend asks me, want to know? Would you want to see, clearly, the handwriting on the wall?

I do not answer her right away. It occurs to me that I have thought a great deal more about the right to know

than about the desire to know. Twenty years ago, doctors and families often conspired to keep the truth about terminal diseases from patients. Even today, in the glaucous Soviet Union, doctors regard openness about cancer

prognoses as cruel. Yet it has always seemed clear to me that adults should know if they are sick, should have the name for their "long illness."

But what about people who are healthy now? What if we can make a prediction for a disease that will strike, not today, but in five or 15 or 25 years? What if there is no cure for that disease? Would I want to know?

These are not arcane questions today, when medical futures are seen not through crystal balls but through microscopes. If a test for Alzheimer's is in the future, a test for Huntington's disease is

available now and so, of course, is a test for AIDS. There are already thousands of people trying to decide whether and what they want to know.

Those who test positive for HIV infection may not get symptoms of AIDS for three or five or eight years or, perhaps, ever. It is my impression that people at low risk may express enormous desire to be tested while many at high risk express equally enormous reluctance.

The gay neighbor of a prominent California public health official checks himself daily for symptoms but rejects treatments that he is tested for infection. "I couldn't stand it," he has said.

A well-known doctor who had a number of transfusions after his own surgery a few years ago tells me that he, too, has consciously decided not to be tested.

Playwright Larry Kramer speaks for many when he says, "I don't want a sword of Damocles hanging over my head if I test positive."

Others clearly want the verdict, even the worst, in order to plan. Some choose the bleakest form of control (8 percent of those with Huntington's commit suicide), but they choose to know.

I do not mean to lump these diseases or decisions together. AIDS is clearly a special case. It is infectious (the men I mentioned take pains to say they are not endangering others), and there is some treatment, if not cure. Furthermore, society has motives for knowing about AIDS infection that go beyond those of the individual. There are direct but real consequences for knowing a bleak medical future, in terms of employment, insurance, social ostracism.

But each of these tests may offer healthy people the same science-fiction possibility: the morbid ability to see into the future. Increasingly, scientific tools modify the unknown with statistics of chilling likelihoods. It may be possible to predict, not the day and streetcorner, but the likely end. And to decide whether we want a present shadowed by a future.

"Would you want to know?" my friend asked. I confess a prejudice toward information. I do not want to shut my eyes during the scary parts. But what a curious sort of knowledge this is.

I cannot think of it as an unmitigated blessing. In the most graphic and immediate way, it brings up all the questions about fate and free will, how to live with certainty and uncertainty.

There is an ironic thought, written by playwright Tom Stoppard: "Life is a gamble at terrible odds. If it was a bet, you wouldn't take it. Now scientists are composing a tip sheet. I wonder how we will take that."

Washington Post Writers Group.

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## LETTERS TO THE EDITOR

## A Good Test of Glasnost

Robert Eisenman is right to ask (*Letters*, April 17), "What About Wallenberg?" I would add, for all Poles: What about the Katyn massacre? Mikhail Gorbachev's "shaw" will become more credible if he admits the responsibility of Stalin and the secret police for the executions in 1940 of 10,000 to 15,000 captured Polish military officers.

S. GROCHOLSKI  
Hamm-Mille, Belgium.

## Moslem Dissidents, Too

When Secretary of State George Shultz dons a skullcap and is photographed in Moscow with a Soviet Jewish dissident (*JHT*, April 14), a message is sent that the United States is concerned about human rights in the Soviet Union. This focus on the plight of Soviet Jews is not inappropriate. They have long been

in the forefront of the struggle for human rights in the Soviet Union. One cannot help but wonder, however, if the U.S. government is aware that other groups in the Soviet Union also suffer from the denial of human rights.

Recently there were clashes between Soviet troops and Kazakhs in Central Asia. Press coverage highlighted, if only fleetingly, the repression of Moslems in the U.S.S.R. Yes, there are Moslem dissidents, and Christian ones, too.

There are also Moslems in the United States who, like their Jewish neighbors, are concerned about U.S. policy toward Soviet dissidents. They may not have a powerful lobby in Washington, but their concerns are deserving of attention.

Finally, by focusing on Moslem dissidents as well as on Jewish ones, the United States cannot but improve its relations with the Moslem world.

MOHAMED KHASHOGGI  
Salt Lake City, Utah.

## On Women in the Third Reich, Consult Thalmann

Regarding the feature "Women's Role in Nazism" (*March* 5):

Without being in the least critical of Claudia Koonz's conclusions in "Mothers in the Fatherland: Women, the Family and Nazi Politics," I wonder how it is possible for this young professor, for Gerda Lerner as a reviewer and for Glenn Collins as a journalist out to mention "Eve Femme sous le IIIe Reich" by Rita Thalmann, published in 1982 by Editions Robert Laffont, Paris, and in 1984 by Hanser, Munich, under the title "Frau sein im Dritten Reich."

Rita Thalmann is professor of German civilization at the University of Paris (VII). This pioneering book, the result of a lifetime of work, is the indis-

pensable source for exploring the roles women played in the rise of Nazism as followers, victims and resistors.

ARLETTE B. MAGNIER BONNER  
Paris.

Under the guise of conforming, many women in Nazi Germany crossed into the unnatural region of uniformity. In "Brave New World Revisited," Aldous Huxley wrote: "The Will to Order can make tyrants out of those who merely aspire to clear up a mess. The beauty of tidiness is used as a justification for despotism."

JEAN APTEN  
Baden-Baden, West Germany.

## Time for a Great Voyage

We are just five years away from the 500th anniversary of the discovery of America by Columbus. NASA and the European Space Agency should consider launching a joint interplanetary mission in 1992 with Spaniards invited aboard to commemorate the visit and patronage of Queen Isabella, who made the exploration of America possible.

JOHN PAUL PATNE  
Philadelphia.

## Why Not Follow Abraham?

The Israeli people, to whom the world owes so much, have suffered greatly and in World War II underwent the worst kind of barbarity and depravity. They are entitled to their grief and anger.

However, the trial of John Demjanjuk in Israel and the demand for justice on the UN War Crimes Commission files can only exacerbate the hurts and hates of old. The Israeli cause and that of world peace would be better served if the example of the old Abraham—Lincoln—could be followed: that of "malice toward none... charity for all."

YU-TANG D. LEW,  
Professor of Political Science,  
Chinese Culture University, Taipei.

## Finns Who Speak Swedish

In his article (*March* 28) on the "Scandinavian Kitsch" auction at Sotheby's in London, Sourb Melikian called the painter Albert Edelfelt "a Swede from Finland." Mr. Edelfelt was a native of Finland whose mother tongue was Swedish. Finland is a bilingual country with a 6 percent minority of Swedish speakers. Their roots in most cases have been in

Finnish soil for centuries. Swedish-speaking Finns do not think of themselves as Swedes any more than English-speaking Americans, Canadians, Australians or Scots think of themselves as English.

PAUL SJOBLOM  
Helsinki.

## Not Necessarily Wacko

The editorial "Values in the Schools" (*March* 17) states that a court "has now found that some 40 common schoolbooks are infected with secular humanism, whatever that is, and he has banned them from Alabama's public schools."

Secular humanists have advocated sexual permissiveness, trial marriages, easy divorce, abortion on demand, mandatory sex education in public schools, homosexuality as an optional life-style and unrestricted access to pornography and marijuana. They favor restriction on prayer and religious instruction in the classroom. They believe in no absolutes, including the 10 Commandments.

The editorial writer may favor these things, but there are some people who do not. These people are not necessarily "profoundly and irremediably wacko."

KENNETH L. NASH,  
Emmen, Netherlands.

## An Unnecessary Dilemma

The Reverend Jerry Falwell says that he would not stop his car for a female member of his church who was standing at a bus stop in the pouring rain if his wife was not with him. He should not stop for men either. Better yet, if he cleaned up his thought a bit, he would not be faced with such dilemmas.

SCOTT GUGGENHEIM  
Paris.

## GENERAL NEWS

## EUROPEAN TOPICS

## Italy Set to Retrieve Airliner From Sea

In an attempt to solve a seven-year-old mystery, Italy will try to retrieve the wreck of an airplane that exploded June 27, 1980, over the Tyrrhenian Sea. The DC-9 of the domestic airline Italia blew up during a flight from Bologna to Palermo, killing all 81 people on board.

The government has hired a French salvage company, Ifremer, to retrieve the wreck, which has been located midway between the islands of Ustica and Ponza at an estimated depth of 2,000 meters (about 2180 yards). The company will start this month and expects to take 18 months, providing photographic studies show salvage is feasible.

At the time of the explosion, Italia officials said they believed that the plane had been hit by a missile, possibly fired during NATO exercises or by a Libyan MIG jet, which crashed into the Calabrian mountains at about the same time. The cause of that crash is unknown. Italian officials, who initially dismissed the missile thesis, later acknowledged the possibility, but said recovery of the DC-9 would be too costly. But two years ago President Francesco Cossiga insisted that the effort be made.

Swedish Homosexuals To Get More Rights

Sweden may soon grant homosexual couples nearly the same rights as heterosexual couples. The government has proposed a law that would allow homosexuals to sign housing leases together, regulate the division of property in case of separation and grant the right to inherit property if there is a will.

Under the Swedish law, married and unmarried heterosexual couples pay the same taxes, and children have full rights whether their parents are married or not. But the present measure would be the country's first homosexual

rights law. It is expected to pass in the Riksdag, Sweden's parliament, next month.

The Swedish union for homosexual rights, while criticizing the bill for not permitting homosexuals to marry or adopt children, said it was a better law than in most countries, except for the Netherlands and Denmark. In the Netherlands, homosexual couples are allowed to adopt children. In Denmark all couples, married or not, and of whatever sexual tendency, have the same rights. All single people, homosexual or not, are entitled to adopt children.

The Ministry for Social Affairs said it was hoped that the law would encourage homosexuals to live together and thus reduce promiscuity and the spread of AIDS.

Around Europe

Britain is facing increasing difficulties in recruiting people for top civil service jobs, according to the annual report of the Civil Service Commission. And for the first time, fewer than 50 percent of graduates taken on last year came from Oxford and Cambridge, the country's most prestigious universities. The figure was 59 percent in 1985. The commission said both the departure of some of its "best and most experienced staff" as well as the difficulty in attracting new recruits for executive posts stemmed mainly from the civil service's inability to compete with private sector pay.

The Economic Community is to get a new building complex in Brussels to house its staff, which has expanded with the growth of the community itself from 6 countries to 12. The project, which will cost an estimated 10 billion Belgian francs (about \$260 million), will be financed jointly by the 12 EC member states. The EC's present buildings are rented. Brussels has offered a four-hectare (10-acre) site for the 10-story complex. Work on the



A ROYAL SEND-OFF—Rose Steadman, a rail car cleaner for British Rail, celebrates at Victoria Station after receiving a signed photograph of Queen Elizabeth II and Prince Philip as a retirement gift. Among her duties during 33 years of service, Mrs. Steadman was in charge of keeping the royal waiting room spotless.

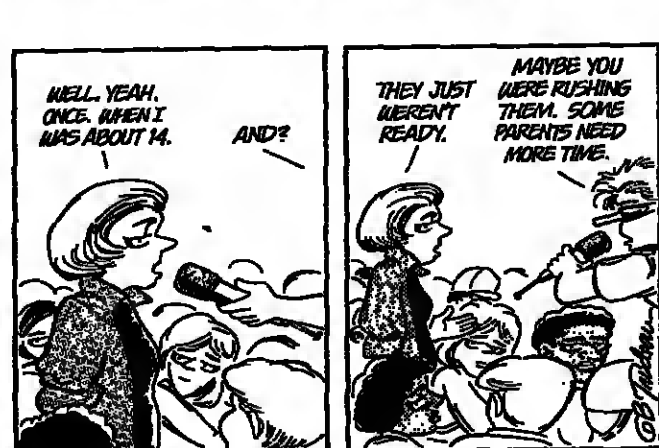
new buildings is scheduled to start next year and to be completed in 1992. The European Commission and its Council of Ministers, both based in Brussels, together employ more than 15,000 people.

A 207-year-old prison in Armagh, Northern Ireland, is for sale for £185,000 (about \$300,000). Unlike most European prisons, those of Northern Ireland are far from overcrowded.

and the Armagh prison has been empty since the last 30 inmates were transferred elsewhere a year ago. Real-estate agents have described the building as "a very extensive centrally situated Georgian property" and authorities suggest it could be turned into offices, workshops, a warehouse or a residential development. But the prison's facade, listed as a work of architectural importance, must remain the same.

—SYTSKE LOOLEN

## DOONESBURY



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Rest of Africa, Gulf States, Asia		580	320	175

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## Soviet May Require AIDS Test for Long Visit

Resters

MOSCOW—Soviet health officials have raised the prospect that foreigners who spend more than three months in the Soviet Union will be tested for AIDS.

Viktor M. Zhdanov, the director of the Virology Institute of the

Academy of Medical Sciences, and Georgi Kilyabich, a Soviet deputy minister of health, said on Wednesday that the tests for acquired immune deficiency syndrome should be conducted first on foreign students.

The scientists said that special

blood-screening laboratories would be set up in







# TRAVEL

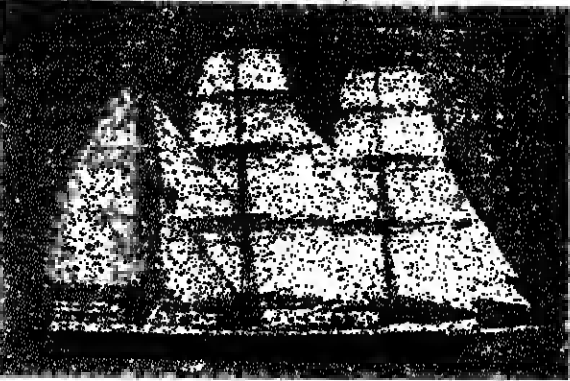
- Ceramics in Ireland
- Deathplace of Holmes
- Long-Haul, Short-Haul

International Herald Tribune

## TRAVELER'S CHOICE

### Square-Rigger to Australia

A fleet of square-rigged sailing ships will re-enact the eight-month voyage that led to the founding of Australia as part of that country's bicentenary. The fleet departs on May 13 from Portsmouth, England, to a royal farewell. Adventurous travelers of all ages and nationalities may sign on as sailing crew members on six of seven legs of the voyage (the last leg is sold out). Segments available are Portsmouth to Tenerife in the Canary Islands; on to Rio de Janeiro, 55 days; to Cape Town, 42 days; from there to Mauritius, 33 days; to Fremantle, 43 days. The fleet is due to arrive in Sydney, Australia, on Jan. 26, 1988, to officially begin Australia's bicentenary. To sign on with this fleet of 11 ships, contact the Adventure Center in Oakland, California, tel: (415) 654-1879; or Twickers World, 22 Church Street, Twickenham, Middlesex TW1 3NW, England, tel: 892-7606.



### Seeing Ireland by Barge

Castles and villages, lakes and legends highlight one-week tours in Ireland aboard the 12-passenger Shannon Princess, a luxury hotel barge on the River Shannon and Lough Derg. The lake is skirted by County Clare, Tipperary, Mountshannon and Portlanna Forest Park. For information and reservations, call Shannon River Floater, in Ireland (353/61-76-205); Cara Voyages in Paris (47-42-10-64). In the United States, arrangements can be made through Horizon Cruises; tel: (800) 252-2103 in California, (800) 421-0454 from out of state.

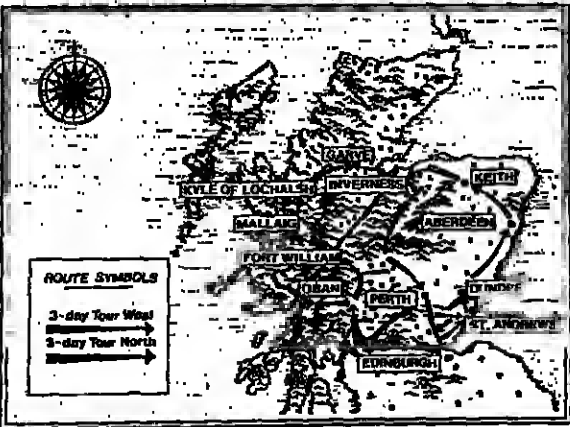
### Royal Plants on View

The greenhouses of the Royal Palace of Laeken, a suburb of Brussels, are open to the public on only a few days a year. This year the public viewing dates begin on May Day.

The six acres of neo-classical rotundas, domes and galleries—325,000 square feet of glass set in elaborate ironwork—were built in the 1870s by King Leopold II. Housed within them are giant ferns, banana trees, grottoes, glades and grassy vistas.

In the rotundas, the attractions include a collection of orange trees, some of them 300 years old and still bearing fruit. More information is available from the Belgian Tourist Offices.

### All Aboard the Royal Scotsman



The Royal Scotsman luxury train makes stately progress on little-used railway lines through the mountains and glens of western and northern Scotland. A combination of restored Victorian and Edwardian rail carriages, the Scotsman offers two three-day tours or a combined tour for six days. Both tours include optional guided visits to houses, castles and gardens. Prices range from £1,090 (\$1,773) for a single cabin for the three-day tour to £2,460 for a state cabin on the six-day tour. Costs include all meals, drinks and tours. For information and reservations contact Abercrombie & Kent, Sloane Square House, Holbein Place, London SW1, England; tel: 730-9600 or tel: ex 8813352 ABKENT.

### Cork Swansea Ferry Revived

The Cork Swansea car ferry, from Swansea to Ringaskiddy, just outside Cork, Ireland, has been revived. This link cuts travel time for visitors to the remote West Cork area. For a brochure on what to see in West Cork, write: the Skibbereen & District Tourism Association, Ltd., Paula Keys, Baulah Gardens Committee, Ballylincly, Baltimore, County Cork, Ireland.

### Summer Llama Treks in Rockies

Twenty llama treks are planned this summer by The Home Ranch in Colorado. The treks, July 13 through Sept. 18, are four or five days and cost \$550 or \$600. Themes are wildflowers, families, photography, hiking, fishing in small groups (maximum of eight). The Home Ranch, Box 822, Clark, Colorado 80428; tel: (303) 879-1780.



A spirited "chukkah" at the Hawaii Polo Club. The season runs from spring to mid-August.

Veronica Cornaro

## A Polo Vacation in Old Hawaii

by Moana Tregaskis

**O**AHU, Hawaii—Polo is a seductive game. On the north coast of Oahu, where shadowy green mountains form a backdrop, the game is swathed in sunlight on a field framed by coco and ironwood trees. In Hawaii the sport becomes an island vacation as well, with matches and tournaments to watch every Sunday, and all the requisites of luxury living in the country. If you ride, there are polo clinics and a school, and if you're good at it you can take a team guest spot to play in a match game.

Running from spring until mid-August, polo season is the time when players and spectators, riders and owners whoop it up beside a sparkling ocean at Mokuleia. There's a celebrity benefit match—Chukkers for Charity—on June 21, when television stars ride after the white wooden ball, and Great Gatsby Day on Aug. 16, which marks the end of the season.

Polo is in resurgence around the world, and Hawaii is no exception. Michael Dailey, president of the Hawaii Polo Club, brings in visiting teams from Mexico, England, California, Argentina, Australia and the Pacific Basin. The Hawaii Polo Club offers a full package for a polo vacation—accommodations, cars and a string of horses.

If you'd like to learn to play, or to improve your game, the International School at Mokuleia is a year-round activity and, during polo season, the one-week vacation package includes a five-day clinic geared to visitors. In addition to polo theory, the clinics include the practical work of schooling the pony, riding, the principles of hitting, tactics and rules, practice and scrimmage matches. Dan Healy, formerly chief of the largest polo teaching facility in the world, the Equestrian School in Los Angeles, where entertainers learn the game, is in Hawaii to head up the new school.

Great Gatsby Day is glamour and style in the tradition of old Hawaii, and winds up the season with an antique car exhibition, horse-drawn carriages, Hawaiian pau riders and prizes for the best dressed and the most stylish entrance of the day.

Enthusiasts begin streaming onto the field at Mokuleia around 10 A.M., the earliest arrivals staking claims under cool ironwoods. Tailgate picnics are popular, and a sampling of worldly Hawaii is laid out on Sundays with everything from elegant European hors d'oeuvres and champagne to lau-lau, beer, soda and sushi. Dress embraces the same spectrum; some people arrive in snappy go-to-polo duds, but many prefer the casual Hawaiian way: shorts or slacks, T-shirts with catchy words, caps and sunglasses. There

are darts and Frisbees, tape players and singers with guitars or ukuleles, and children running off energy before the games. Over near the right end of the sidelines a local bunch dubbed the Umbrella Society places six tall odd-looking chairs to face the field, their tent lavishly stocked with canapés and drinks. With fold-out footrests and umbrellas attached to chair tops or to tables in between, they are in position for the screaming support they'll give the players.

Just before 2 P.M. an announcer's voice from a speaker somewhere in the trees brings on a change in mood. As the crowd quiets, players and horses trot out on the field. The ball is thrown in. Momentarily still, the crowd explodes in cheering at the first goal—thoroughly involved, they scream, let fly encouragements and bellow approvals when a maneuver is well-executed.

At half time, around 3:30, the field erupts with entertainment—skydivers, horse races and kite exhibitions, including one that sings, another the size of a multi-story house, clowns and a hay wagon pulled by Clydesdales for a children's ride around the field, the Kania Vaulter gymnasts on horseback and biplane stunt flying.

Previously attached to the Pacific Coast Circuit (California), the United States Polo Association decided recently that the Hawaiian polo clubs merited their own turf. The governing body of polo in America (its headquarters are in Lexington, Kentucky), taking note of the fast pace of the sport in the islands, granted Hawaii its own territory, the Hawaii-Pacific Circuit, and designated the dean of island polo, Fred Dailey (Michael's father), its governor.

General George Patton kept polo ponies at Schofield Barracks in the 1920s and '30s when Army cavalry teams played on Oahu. Old-timers here say his penchant for colorful language was upheld on the playing field—particularly when the most enthusiastic spectators were children on horseback scrambling up and down the sidelines following the play, and sometimes riding too close. The chronicles of Hawaiian polo began on Christmas Day in 1886, when a match took place on the big island of Hawaii, just three years after the game was first played on the mainland. Polo moved on to Maui and Oahu, growing in popularity and feeding on an inter-island rivalry that continues to this day in an intense Maui-Oahu annual match.

World War II put out the fires of polo in the islands, until Fred Dailey revitalized the sport in 1958 under a Waikiki Polo Club banner and invited visiting teams to play on grounds in Kapiolani Park, across from the beach at Waikiki. It was an auspicious revival, leading to a day in January

Continued on page 8

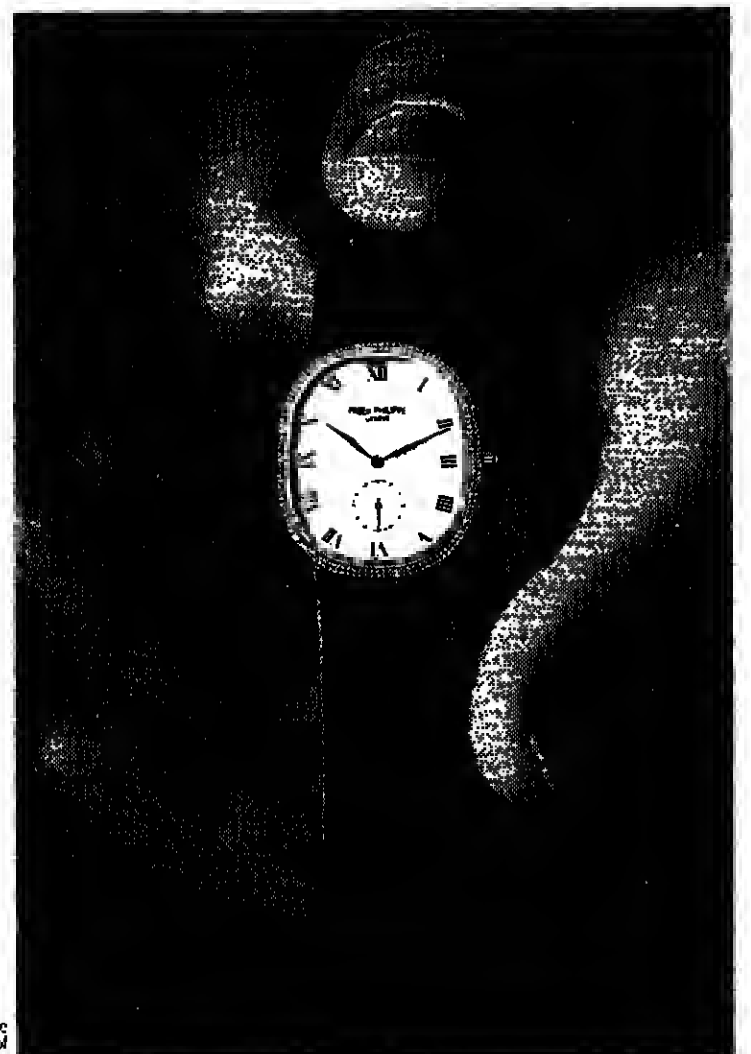
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## TRAVEL

## THE FREQUENT TRAVELER

## On Short Trips in Europe, Try the Long-Haul Option

by Roger Collis

ASK your travel agent for a flight from London to Frankfurt and the chances are he'll suggest either British Airways or Lufthansa, both of which fly about six times a day from Heathrow, or British Caledonian, which has three flights a day from Gatwick. Fine, you'll probably choose according to the convenience of the airport or the timetable. What about service and comfort? Not much to choose from, really. With BA and BCal you'll fly sardine class both in business and economy; the seats are the same (32-inch and 33-inch pitch respectively in their 757s and BAC111s); the cabin is divided with a movable curtain. With Lufthansa you get more leg room (34 inches) in its single cabin where full-fare paying and economy passengers get the same service (Lufthansa, Swissair, Austrian Airlines and Iberia are the only European carriers to offer first class on flights within Europe).

The same goes for most city pairs in Europe; the choice of flights is limited to those of national carriers who carve up the routes between them in pool sharing agreements with virtually no difference in service, comfort and fares.

Fares are another story. But one way to bring more comfort, maybe a touch of adventure, into your business travel is to choose a long-haul carrier which has traffic rights on a European sector you wish to fly.

Thus it is possible, between London and Frankfurt, to fly Northwest (a daily 747 from Gatwick), Pan Am (a daily 747/AB310 from Heathrow), Gulf Air (three a week from Heathrow), Thai International (a 747 Fridays from Heathrow), Malaysian Airlines System (a 747 twice a week from Heathrow), Philippine Air Lines (a 747 twice a week from Gatwick), Kuwait Airways (a 747 Saturdays from Heathrow) and Air Seychelles (Fridays from Gatwick). A great chance to check out those ads in the glossy magazines. Even if they only deliver some of the inflight fantasies, it has to be a better way to fly.

On all these carriers you can choose to fly in first, business or economy to long-haul comfort. Business class, for example, has the old-style first class seats with a seat pitch ranging from 36 inches (Gulf

Air) to 41-42 inches (MAS and Thai) with the configuration varying from four abreast (Thai) to six abreast (Pan Am and Northwest) and eight abreast (Philippine). You can expect frills such as free drinks (Kuwait Airways is dry), headsets and hot towels throughout the plane. And of course, real china, glass, cutlery and napkins.

You won't get there any quicker on a long-haul carrier (Frankfurt is an hour and 25 minutes), but you may have more fun. Silk-robed Thai hostesses distribute an orchid to all passengers and, along with

## Get a touch of comfort, adventure

MAS, Gulf and Philippine Air Lines, offers exotic snacks. And so it goes. Thursdays you can breakfast on Japan Airlines' 7:55 A.M. 747 from London to Paris. Pakistan International flies on Saturdays and MAS on Thursdays and Sundays and Air Mauritius on Sundays, all from Heathrow. Or for the truly intrepid there's Iran Air on Tuesdays.

Also from London you can sample Air Lanka (42-inch seat pitch in business class) to Zurich on Fridays and Sundays from Gatwick. Air India to Geneva and to Rome on Sundays from Heathrow, Varig-Brazilian to Copenhagen on Fridays and Sundays from Heathrow, Kenya Airways to Athens on Tuesdays from Heathrow and the combined BCal/Sabena 747 flight to Brussels five days a week from Gatwick.

If you're looking for something even more exotic, try Biman Bangladesh from Frankfurt to Athens (a DC10 on Saturdays), Syrian Arab Airlines from Athens to Rome (a TU154 on Thursdays), Air Zaire from Rome to Brussels (a DC10 on Mondays), Ethiopian Airlines from Rome to Frankfurt (a 767 on Fridays and Sundays) or Somali Airlines (a 707 Mondays and Thursdays) or Yemenia Yemen Airways from Frankfurt to Amsterdam (a 727 on Tuesdays and Saturdays).

It's an adventure playground. To get you started, here are some airlines and the places they fly between.

• Philippine Air Lines: London-Rome; London-Frankfurt.

• Malaysian (MAS): London-Amsterdam; London-Frankfurt; London-Paris.

• Varig: London-Copenhagen; Zurich-Milan; Frankfurt-Amsterdam; Paris-Amsterdam.

• Thai International: London-Frankfurt; Paris-Frankfurt; Paris-Copenhagen; Rome-Frankfurt.

• Air Lanka: London-Zurich.

• Singapore: Rome-Amsterdam; Copenhagen-Frankfurt.

For a touch of Latin American style, Aerolineas Argentinas, which has a convenient 5:55 P.M. flight from Amsterdam to Madrid on Saturdays. Or Varig from Frankfurt to Amsterdam on Tuesdays or Paris to Amsterdam or Milan to Zurich on Saturdays.

But it's Asian airlines, like Asian Airlines, that have the highest reputation for hospitality. It is possible to catch Cathay Pacific in either direction between Rome and Paris. (Business class seat pitch is a modest 38 inches but cuisine and service make up for it.) And Singapore Airlines (39-inch seat pitch in business class) flies between Rome and Amsterdam (Thursdays and Sundays), and Copenhagen and Frankfurt on Sundays.

A few cautionary words. You may face delays if an incoming plane is late or delayed. Be aware that you may miss a gourmet meal if it's being served for the long-haul folks on the main leg. Just as bad is the squalor of boarding a 747 which has just arrived from Bangkok with sleepy passengers cluttering the aisles and breakfast already stowed away. The best advice is to choose a flight which is starting out.

It can be frustrating finding which flights go where. Travel agents may only be able to turn them up on the ultimate screen of their computer terminal, if at all. Airlines prefer to fill their planes with more profitable long-haul passengers, although a spokeswoman for Japan Air Lines in Amsterdam says JAL is doing local promotion for its flights to Madrid. "The less publicity we get for our Rome flight the better," says a spokeswoman for Cathay Pacific in Paris. At Singapore Airlines in London the PR man needed several minutes to search for information. "We don't fly intra-European," he started by saying. "Oh, yes, wait a moment, bear with me, you may have something there!" So check carefully before you make plans. You'll find even timetables have errors and omissions.

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• Thai International: London-Frankfurt; Paris-Frankfurt; Paris-Copenhagen; Rome-Frankfurt.

• Air Lanka: London-Zurich.

• Singapore: Rome-Amsterdam; Copenhagen-Frankfurt.

## Ireland: Ceramics of the Western World

by Christine S. Cozzens

IRISH ceramic art has recently begun to earn a presence as an expression of the country's national life and a reflection of its landscape. Within the last 15 years, several craft potteries producing high quality ware in extraordinary settings have sprung up in some of western Ireland's most beautiful counties. The visual nature of the craft, the potters' independence and their interest in regional traditions have drawn them to out-of-the-way places that make delightful excursions.

Westport, at the southeastern bank of Clew Bay, makes a good base for visiting County Mayo potteries. One of the oldest craft potteries in Ireland, Terrybaun Pottery, is 18 miles (29 kilometers) northeast of Westport near Pontoon on serene Lough Conn. Established in 1948 by Gratian and Madeleine Freyer, the studio is now occupied by the Freyer's nephew, Henri Hedou and his wife, Fiona. The Hedous continue the Terrybaun traditions — they still supply replacement pieces for the pottery's original customers — as well as carry out their own ideas.

Like most Irish potters, the Hedous import their stoneware clay from Stoke-on-Trent, but they have begun to experiment with nearby veins of red daub earthenware clay and make all their glazes from local materials to re-create the blues, greens and amber-browns of their surroundings.

Terrybaun specializes in combining practicality with originality of design. Their wine goblet (\$7), for example, is delicately shaped and balanced, but the base of the stem is made hollow and a loose piece of clay left inside to make a pleasant rattle when gently shaken. The coffee set has comfortably shaped cups for six, sugar bowl, creamer and a graceful pot (\$59, \$74 with a larger pot).

About 12 miles north of Pontoon at Ballina, a cathedral town with traces of 18th-century elegance, Sean Kelly produces one-of-a-kind pieces as well as tableware at his pottery, The Making House. A native of nearby Belmullet, Kelly learned his craft in New Zealand. Only recently returned to establish his workshop in the Irish artistic community, Kelly brings the international influences of Bernard Leach, Shoji Hamada and Daniel Rhodes to bear on his elegant stoneware. His passion for form and texture is evident in his work, such as an unusual wine flask and stand (\$24), a casserole in his distinctive creamy white glaze with blue and brown brush strokes (\$37) and a serving dish in the same muted colors (\$48).

The drive north and west from Westport runs along one of Mayo's most scenic routes edging Clew Bay, with its 365 islands scattered among swatches of blue-green sea, and crosses the causeway to Achill Island and Achill Pottery at Keel. In this wind-swept village Joseph Colohan has been making pottery in his greenhouse-enclosed studio for almost 30 years. Colohan was studying ceramics on the French Riviera in the early 1950s when Picasso — whose influence on pottery was "exhilarating and liberating" — gave him "the best advice" of his career: "The tree that has its roots in its native soil bears the sweetest fruit," the painter told him. "Don't stay too long. Go home!"

Colohan returned to his homeland and established Achill Pottery. His goblet-shaped teacup and square saucer in glistening mustardy brown (\$5) is an Achill legacy. Intrigued by natural shapes and attitudes, Colohan has represented in clay the famous Achill, or basking shark, that islanders used



Top, Louis Mulcahy and pots; left, Henri Hedou at work; and, above, a cheese bell by Sean Kelly.

to harpoon for its oil, a sitting seal, the "old crow of Achill," and a mermaid (all for under \$9). His version of the Achill curach, or canoe, holds three candles (\$5).

Just south of Westport at Lisacorney in the shadow of Croagh Patrick, the stark precipice where legend has it that St. Patrick charmed all the snakes in Ireland to lead to their death, lies Paul Taylor's Westport Pottery. A Londoner attracted by the serenity of rural life and the rough beauty of Mayo, Taylor has made a thriving business in the workshop he built amid ruined stone farm

buildings. Taylor brings the elegance of design to everyday purposes, as his sturdy but striking cottage tableware demonstrates (a tea set for six in a rich brown glaze is \$38). A more contemporary slender vase in buff with lines and triangles accentuating its smooth curves costs \$70.

Heading south from Westport toward Galway, Shannon or Counties Cork or Kerry, travelers can break their drive with a stop at Tuam in County Galway to see the intricate market cross, St. Jarlath's Church, a restored mill, St. Mary's Cathedral and the

pottery of Brid Leo at Tuam Potteries. Leo sells most of her works at her pharmacy, Leo's Chemist, but welcomes visitors at her studio on the outskirts of Tuam at Newtownmorris.

A painter, sculptor and potter, Leo decorates many of her works with Celtic designs from the Book of Kells and with legendary figures: a dark blue bowl shows the linked swirls of the Celtic Symbol in its center; a display plate with a brushstroke (\$10), a display plate with a horse sketch of Morgaine of Avalon astride a horse (blue on beige) costs \$11. Leo's lidded jar and dish set ringed with tiny shamrocks make that Irish symbol newly appealing (\$14).

Ireland's southwestern peninsula offers some of the island's most unspoiled scenic routes, including the Ring of Kerry, which embraces great pastures, moorlike plateaus and layered promontories and beaches reaching westward. Gunter Treffkorn's Human Clay Pottery and Gallery in Cahirciveen overlooks this last view, and the luminous greens and blues of his glazes bring its freshness into his studio. He makes plump teapots with bamboo handles in three sizes (\$11.50, \$17 and \$34), wide nesting bowls (\$5 to \$40 each) and balloon goblets (\$7).

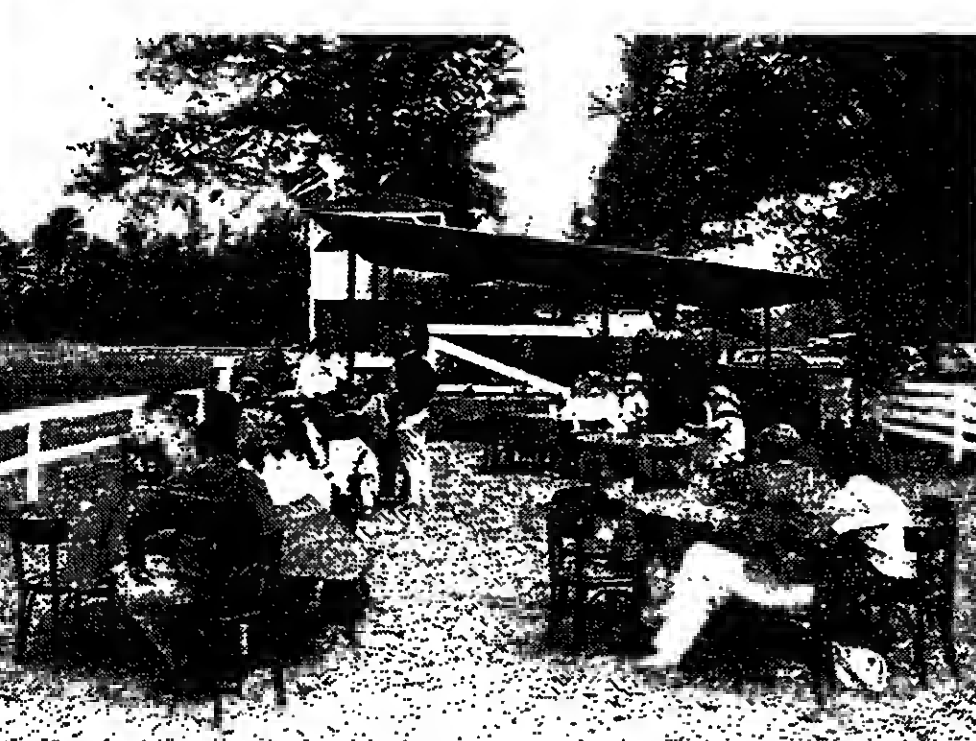
The smaller but equally dramatic Dingle peninsula to the north hosts several thriving potteries. For a spectacular drive, follow the southern shore route through the harbor town of Dingle, with its pastel housefronts and honey pubs, around Sea Head and north along the blunt end of the peninsula, where Europe's most westerly land — the Blasket Islands — stretches out toward America. Here, in this Irish-speaking region, the Dunquin Pottery and Cafe commands a dazzling view of the sea. Two sisters, Maire and Eileen Daly, fluent in English and their native Irish, run the pottery and craft shop and their brother manages the cafe. The sisters work primarily with a local limestone glaze that gives their serviceable stoneware its distinctive mottled cream color, with zig-zags of blue and brown for trim. Their name mugs (\$7) and storage canisters (a set for coffee, tea and sugar costs \$32) are labeled in an elegant Gaelic script. A dinnerware set for six including goblets, soup bowls, candleholders and serving pieces sells for \$330.

A few miles farther up the road from Dunquin is Louis Mulcahy's Pottery located on Caolige at Clough near Ballyferrier. Surrounded by prehistoric and early Christian archaeological sites, the display rooms and workshop buildings cling to the sloping headlands overlooking Clough Beach and the wild Atlantic surf. Formerly a television cameraman, Mulcahy taught himself ceramic techniques and has become one of Ireland's most original, compelling ceramic artists, while also managing the country's largest craft pottery.

The bold lines and grand dimensions of Mulcahy's work — floor vases (\$140), wall plates with diameters of 20 inches (512 millimeters) or more (from \$70), lamp bases with Irish linen shades that stand over three feet (9 meters) (from \$133) — are imposing, but their simple design and lustrous glazes complement any setting. Most of the pieces are available in five different glazes, the most striking of which is a rich brown with a golden tan brushstroke design and trim. A gloriously oversized family teapot (11 inches high, 34 pounds) with a trumpet-shaped spout in a white speckle glaze with brushstroke decoration costs \$36.

Christine S. Cozzens is a writing consultant at Emory University in Atlanta. She wrote this for The New York Times.

## Polo in Hawaii



On the sidelines at the club in Mokuleia.

Continued from page 7

1964 when the Hawaii Polo Club's inaugural match was played at Mokuleia.

The game has its origins in fourth-century Asia and today, in Central Asia, a version is still around — called Buzkashi, in place of the little bamboo-root ball the players vie for shots at a water-soaked goat's head, and flail any man or beast who comes in the way. In the 1500s, when the Emperor Akbar ruled Moghul India, a realm more fabulously rich than all the kingdoms of Europe put together, his teams played polo with sticks of gold and silver. If the stick broke, though the man played well, he was allowed to keep the pieces.

Well-played polo is a moving picture of grace and agility, yet the game is tough, speedy and crisscrossed with peril. Understanding its rules and structure casts a spell of passion for its mental and physical skills. With four on a team, polo is played here in four periods, or chukkers, of seven and a half minutes each, on a turf the size of three football fields. Whenever the ball crosses goalposts, it's a goal — no matter whether a man with a mallet or a beast with a smashing kick

wbucked it through. Teams change sides after every goal to compensate for wind and turf conditions.

Safety is the guiding principle of polo rules, protection of player and pony, and the basic rule is: Do not cross the line of the ball — an imaginary line — if there is a question of endangering players who are in their own imaginary lanes. Provided he stays in his lane, the player who last smacked the ball on his right (off side) has the right of way. As long as he does not cross in front, or try to check that player's mallet, an opponent may try for the line. Reaching across, in front, over or in back of another player's pony is taboo. It's all right, however, to try to run the other player out of bounds, provided it's done with horses running at about the same speed, shoulder to shoulder, and at an angle of less than 45 degrees. Umpire whistles signal fouls; free hits are given to the fouled team.

A loll under the ironwoods at Mokuleia is a good place to look for the bump, the cross, foul mallet work, neck and tail shots, and the horsemanship of polo. By half time you'll be under the mesmerizing lure of the game, knowing from the running commentary

that the left side of the pony is the near side and that a ride-off — when a player rides parallel to an opponent urging his horse into the opponent's to push him off the line of the ball — is legal.

Polo fans in Hawaii this summer are in for a treat — the Virginia gentleman rated a 10-goal and America's top player, Owen Reinhart, will wield his mallet on the field at Mokuleia. In the international polo handicap system of rating players on a scale from minus 1 to 10, very few come close to the 10-goal ultimate.

The stick and ball game that challenges man and beast, where sometimes the pony is better at anticipating maneuvers than the man on his back, is exhilarating. The great demand of precision, when the player, wielding the four-foot mallet, times his stroke to the stride of the horse and connects with the ball, is the peak in riding skill and concentration. Whether watching or pounding down the field, a polo vacation in Hawaii is just the ticket for a Sunday afternoon beside the luminous island sea.

Moana Tregaskis is a writer who lives in Honolulu. She wrote this article for The New York Times.

## FOOD

## Hearty Eating Near Paris

PARIS — Historically the Ile-de-France — the region that forms a 50-kilometer (30-mile) belt around Paris, measuring from the cathedral of Notre Dame — has served as the breadbasket, the market garden, the hunting grounds and the dairy to the capital.

Although intensive urbanization has significantly transformed the landscape, reducing the number of *marais*, or market gardeners, who supply the produce for the Parisian table, one can still leave the capital in any direction and quickly find oneself driving through flat, golden fields of wheat and corn, through forests filled with deer and wild ducks, past farms and dairies supplying cream, poultry, fruits and vegetables.

True, the *champignon de Paris*, which once grew on the outskirts of Paris, now comes primarily from the

## PATRICIA WELLS

Loire, and the asparagus that made Argenteuil famous is more likely to have pushed through the soil of Provence, but one still finds quantities of watercress, beets, carrots and cabbage carrying identity tags from the Ile-de-France.

Today, numerous French dishes still bear the names of the towns and villages that gave their names to many fine products, including cream from Chantilly, cherries from Montmorency, carrots from Crècy. Take a look at a list of regional food festivals, and you'll see that Arpejan is still proud of its beans, Monthérey remains faithful to its tomatoes, Mantes-la-Jolie still celebrates the onion.

And despite the massive urban sprawl, one can still find oneself in the countryside in a matter of minutes, settled in at a table near the Fontainebleau forest in the charming village of Barbizon, home to the 19th-century Barbizon group of painters, as Millet, Corot and Théodore Rousseau; touring Marie-Antoinette's milk house at the chateau of Rambouillet; wandering through the incredible kitchens of the chateau of Vaux-le-Vicomte, or touring the marvelous produce markets of nearby Versailles.

One of my favorite "day-trip" restaurants near Paris is Les Prigues, a dream of a romantic country restaurant, situated in a beautifully restored home with a carefully attended garden in the village of Montfort-l'Amaury, a quick 48 kilometers west of the capital.

The dining room is luxurious, but far from cold, filled with flowers and classical music, while in good weather, tables are moved out to the terrace for outdoor dining. The menu and wine list are intelligently conceived, and service is attentive but not overbearing. I loved the unusual *porc-é-fait de foie gras*, with rich duck liver that slowly melts into the rich broth; and the warm smoked salmon with a sauce of spicy Alsatian Gewürztraminer. Desserts are imaginative, and fresh: We sampled warm *crêpes* filled with raisins and almonds, and a lovely *sablé* cookie topped with slices of fresh mango and delicious vanilla ice cream. A red Bordeaux to try here, if it's still on the wine list, is Chateau Potensac, a dark, rich and tannic Medoc that's generally a very good buy.

My first choice for lunch in Versailles is the lively

Brasserie du Théâtre, a charmingly decorated turn-of-the-century spot featuring classic *bistro* fare. There, of course, *choucroute* and *cassoulet*, salads of herring and other *remoulade*, and a litany of daily specials that might include lamb with white beans or simple grilled sole. This neighborhood brasserie is billed as the Lipp of Versailles, and one can see why. The setting is right out of the movies, with a cast that includes a tall, handsome maître d'hôtel who resembles Roger Moore, and slim mustachioed waiters sporting white aprons that reach all the way to their toes. Travel posters, antique enamel advertising plaques and autographed celebrity posters line the walls, while an enormous vase of bright, fresh flowers welcomes you as you enter the dining room.

I know friends who have driven out to Barbizon for lunch at the Grand Veneur, not returning to Paris until well after dark. It's easy to see how time can lose all importance as one is seated in the huge hunting-lodge style restaurant overlooking the Fontainebleau forest. The specialty here is *grillade* — meat, poultry and game grilled or roasted in the gigantic fireplace that dominates the rustic dining room — and though there is more quantity than quality here, I don't know anyone who ever had a bad time. Service is very friendly and children are welcome.

One cool, gray Saturday we took a drive to an enchanted castle in Saint-Symphorien le Château, an hour's drive southwest of Paris. As we took our table by the window overlooking the romantic, swan-filled lagoon of the Chateau d'Esclimont, a helicopter set down and a giggly young couple stepped out. Their expressions were decidedly blasé, as if to say, well, lunch? Chateau d'Esclimont is that kind of place, where you come to rent the scenery, to see and be seen, that understanding, and you shouldn't be disappointed. The setting is spectacular, as you are bathed in old-fashioned splendor, seated at candlelit tables within this private chateau, set in the midst of a forested park. The food, however, is the sort designed for timid palates (I've come to call it *gout du chateau*) and could stand some jazzing up. We did enjoy the little molds of fresh salmon filled with a salmony mousse, and the generous wild hare stew, but generally, the food sorely lacked flavor.

Les Prigues, 18 Place R-Braut, 78490 Montfort-l'Amaury; tel. 34.86.92.65. Closed January through the first week in February. Credit cards: American Express, Visa; 180,- 250,- (lunch only), 350,- franc menus. A la carte, 450 francs.

Brasserie du Théâtre, 15 Rue des Réservoirs, 78000 Versailles; tel. 39.50.03.21. Closed Christmas day. Credit card: Visa. Terrace dining. A la carte, about 250 francs.

Grand Veneur, 63 Rue Gabriel-Seailles, on the National 7, 77630 Barbizon; tel. 60.66.40.44. Closed August. Credit card: American Express, Diners Club. Chateau d'Esclimont, 28700 Saint-Symphorien-le-Château; tel. 37.31.15.15 or 37.31.58.06. Open all year. 400 francs.

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## TRAVEL

هكذا من الأجر

## The Final Waterfall

by Thomas Netter

**M**EIRINGEN, Switzerland — It is not hard to see why Sir Arthur Conan Doyle chose the Reichenbach Falls near this Swiss village as a "worthy tomb" for his worthy detective. For the "torrent, swollen by the melting snow" along the Rosenal Valley and plunging into a "tremendous abyss" of "incalculable depth" is indeed, as Conan Doyle writes in "The Final Problem," a "fearful place."

The slippery path winding up to the edge of the waterfall is treacherous and narrow, providing little leeway for Holmes and his arch-enemy Professor Moriarty to fight their last fight without tumbling into the sluice of water. And once over the edge there can be no return; the water disappears into a bubbling gorge with a roar.

Such a "tomb" then was the perfect way for Sir Arthur to end the career of the "foremost champion of the law" in a battle with the evil "Napoleon of Crime," Professor Moriarty on May 4, 1891 — even if, as the author declared, "I bury my banking account along with him."

Bank accounts and Moriarty notwithstanding, public outcry eventually forced Conan Doyle to revive Sherlock Holmes in "The Return." And it is with a light heart, and a heavy dose of nostalgia — and undoubtedly with an eye on their own bank accounts as well — that the entrepreneurs of Meiringen are working to breathe new life into the legend of Sherlock Holmes in this centenary year of his first case, "A Study in Scarlet."

Not that the Sherlock Holmes legend ever needed much reviving. The Sherlock Holmes Society of London is making its third pilgrimage to Meiringen since 1968 in May. Wearing the Victorian costumes of 1891, when Conan Doyle dispatched Holmes over the falls, 70 society members are coming to this Swiss village of about 4,000 people by way of Geneva, Lausanne, Leukerbad and Kandersteg, roughly following the route taken by Holmes and his faithful companion, Dr. Watson on their last, fateful literary journey in "The Final Problem." The Holmes Society trip leaves London on April 30 and returns there by "aerial horseless carriage" May 9.

On the way, they will stop for a tour of the current Mecca of Sherlock Holmes memorabilia, the Château de Lucens near Lausanne. There, Adrian Conan Doyle, Arthur's son, rendered Holmes's fictional consulting room at 221B Baker Street, complete with the real writing desk of Conan Doyle, a set of disguises supposedly worn by Holmes, faded old editions of the "Illustrated Police Gazette," and a Victorian corkscrew brush for



Meiringen village.

opening dusty bottles of wine and "brushing away the occasional insect."

The Château museum about 16 miles (25 kilometers) north of Lausanne commemorates Sherlock Holmes as if he really existed and seems to constantly tease one's ability to separate fact from fiction. A bottle of "London Fog" — collected on Baker Street at midnight on Dec. 13, 1951, and certified, so it says, by a "passerby lost in the fog," stands near a crumbling copy of "The Star," a London newspaper priced "three halfpence" of the same date, blurring impressions of artifice and age. Old "blood-stained" weapons such as cleavers require a second thought on their relative lack of significance. Only an apparently plastic set of severed ears preserved in rock salt are obviously fake.

In the Baker Street study at the Château, two bone china cups resting on stools beside the hearth suggest Holmes and Watson have just finished their tea and set off for their "final" journey to the Continent. Sharp-eyed readers of Doyle's books will notice the Alpine hiking pick to the right, a pick of the type found by Watson leaning against a rock after Holmes and Moriarty disappeared at the Reichenbach falls above Meiringen.

"We reached the little village of Meiringen, where we put up at the 'Engländer Hof' then kept by Peter Steiler the elder," Watson says of his and Holmes' trip to The Continent in "The Final Problem." "Our landlord was an intelligent man and spoke excellent



Sherlock Holmes pub in Meiringen.

English, having served for three years as a waiter at the Grosvenor Hotel in London."

Hans Theoni, the proprietor of Meiringen's Sporthotel Sherlock Holmes, speaks excellent English as well, learned while studying first in Loodoo and then working

as a ski instructor in Squaw Valley, Idaho. But, says Theoni, a native of this village 17 miles east of Interlaken on the Lake of Brienz, the Engländer Hof "never existed."

"The Final Problem," he explains was written at a time when English tourists like Conan Doyle crossed the Alps via the Grimsel, Susten and Brienz passes, and nearly every building in Meiringen served as either a hotel or an inn. This tourist trade gave this isolated village an importance that Theoni and local tourist officials are now trying to recover, even though several Sherlock Holmes films have been made here, and loyal readers will recognize the name of the town instantly.

Theoni is doing his bit to carry on the legend, building a Sherlock Holmes pub, marked by a Baker Street sign and 221B number. The narrow pathway outside the pub is lit by an old, copper and glass London street lamp Theoni imported and installed. And in his modern hotel dining room and bar, he has placed a real red London telephone booth for the house phone, and sells Sherlock Holmes T-shirts and knit caps for about \$5, he says, so that "whenever you think of Sherlock Holmes, you think about Meiringen, too."

Indeed, after a day on the trail of Sherlock Holmes, it begins to appear as if the great detective might have been here, in a realm the noted Holmesian Lord Dunsany described as "a romantic chamber of the heart,



The Reichenbach Falls.

in a nostalgic country of the mind, where it is always 1897."

And with its old Swiss flavor, its crashing 300 foot Reichenbach Falls, and its seemingly uncharacteristic emphasis on the legendary detective, Meiringen seems to suddenly ring with Watson's words in "The Adventure of the Empty House."

"Holmes!" cried Watson, "Is it really you? Can it indeed be that you are alive? Is it possible that you succeeded in climbing out of that awful abyss?"

To which Holmes replies: "Well, then, about that chasm. I had no serious difficulty in getting out of it, for the very simple reason that I never was in it."

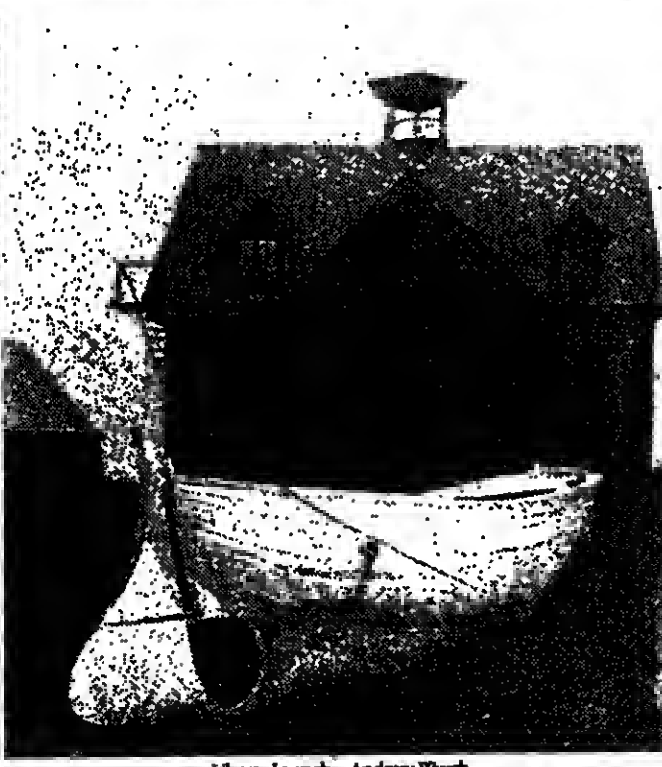
The Château de Lucens is easily accessible from Lausanne by car (take the Moudon-Payerne Road north), or by train. Meiringen is about a 30-minute drive from Interlaken, or longer from the north via the Brünig Pass south of Lucerne.

The best way to reach the Reichenbach Falls and Sherlock Holmes plaque is by the funicular, although a winding road to Schwendi can be driven to within a steep, 10- to 20-minute walk to the falls. The tourist office will book rooms in Meiringen, call 036-71-43-22.

Thomas Netter is a Geneva-based journalist who contributes frequently to the International Herald Tribune.



Mowing — N.C. Wyeth



Liberty Launch — Andrew Wyeth



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# BAHRAIN

## GATEWAY TO THE GULF

The opening of the new causeway linking the island with the mainland is more than just a bridge to the rest of the Arab world. It has created new vistas for Bahraini businessmen, and given a boost to local industry. It has also added another dimension to Bahrain's position as the leading banking and communications center of the Gulf. Tourism is fast becoming another major development area.



Aerial view of diplomatic area.

**M**ORE than one million travelers have used the \$1.2-billion King Fahd Causeway connecting Bahrain with the mainland of Saudi Arabia since its official opening in November 1986. The land link is creating new vistas for the Bahraini business community, and is also boosting the local tourist industry. "We are just beginning to look more deeply into tourism, as we believe we have a great potential for creating a regional tourist center," says H.E. Tariq Almoayed, minister of information.

Now that the Gulf economies have become more stabilized, Bahrain's position as the leading financial center in the region has been reestablished. The new capital-markets law and the imminent opening of a new stock exchange will also enhance financial activity. February figures from the Bahrain Monetary Agency (BMA) show an increase in assets for the Offshore Banking Units (OBUs) to \$53.5 billion for the third quarter of 1986, the first quarterly rise since 1985.

The causeway, one of the most remarkable feats of civil engineering in the Arab world, has also reaffirmed Bahrain as the Gulf's premier communications center. Efficient

communications have been the backbone of the development of the financial and trading community in Bahrain. It now has a direct land link for the first time with the other members of the Gulf Cooperation Council: Kuwait, the United Arab Emirates, Qatar, Oman and Saudi Arabia.

Barcelo has been instrumental in providing the latest state-of-the-art telecommunications, which have enabled the banking and financial sectors to expand. Meanwhile, Gulf Air, owned jointly by Qatar, Abu Dhabi, Oman and Bahrain, has been consolidating its network of world routes, centered on Bahrain.

From a communications point of view, the causeway has already had a significant effect on some local industries, particularly on distribution services from the island to Saudi Arabia's industrialized Eastern Provinces, one of the most rapidly expanding regions of the Kingdom. Ashok H. Gandhi, of Universal Cargo Agencies, says: "Transportation is poised for great strides."

Because auto insurance is mandatory in Bahrain, all entering vehicles must be insured. This has led to a boom in

insurance and the start-up of a new company last year.

In fact, 1986 was a very important year for Bahrain. Besides the opening of the causeway, there was an upturn in business among the 74 OBU and 15 financial services companies and the start-up of the latest industrialization project, Gulf Aluminum Rolling Mill Company (Garmco).

With limited oil resources and production averaging only 42,000 barrels a day, Bahrain has tried to diversify its economy as much as possible. The first major industrialization project was the establishment of the ALBA aluminum-smelting works in 1971. ALBA is now set to increase production capacity to 250,000 tons a year. As part of an overall strategy to increase the added value and to improve import substitution, ALBA's main local customers have been Balex, an extrusion company; Midat, the cable manufacturer; and Bahrain Atomizer.

Now 40,000 tons of aluminum slabs are going to Garmco, which turns them into coil and sheet aluminum. The total labor force at Garmco is around 250, 29 percent of which are Bahrainis.

One reason for choosing Bahrain as the site for the rolling mill, which is a Gulf Organization for Industrial Consulting (GOIC) project, was the availability of local labor. In addition, the smelter itself is only 10 kilometers (6 miles) away, and there is easy access to water, power and gas.

The causeway provides Garmco with a quick and easy route for exports to the mainland and the other GCC countries. But Garmco also has its sights set on markets further afield: North America, Europe and the Far East. Additional downstream projects, including a foil mill, are planned for the future.

While some Bahraini businessmen had originally expressed fears about the causeway, so far it appears to be having a more positive effect than expected. Traders have been quick to realize the advantages of the land link, which

has also given a boost to such service industries as tourism.

Like many of the new Gulf states, Bahrain has been in danger of losing its heritage and traditions through rapid overdevelopment. Steps are now being taken to restore old buildings, such as the Arad Fort, Sheikh Isa House in Muharraq and the Amir's birthplace in Jasra. A recently opened Heritage Center provides a picture of Bahrain's past, in particular of life before the oil-boom days when pearl fishing was the sole basis of the island's economy.

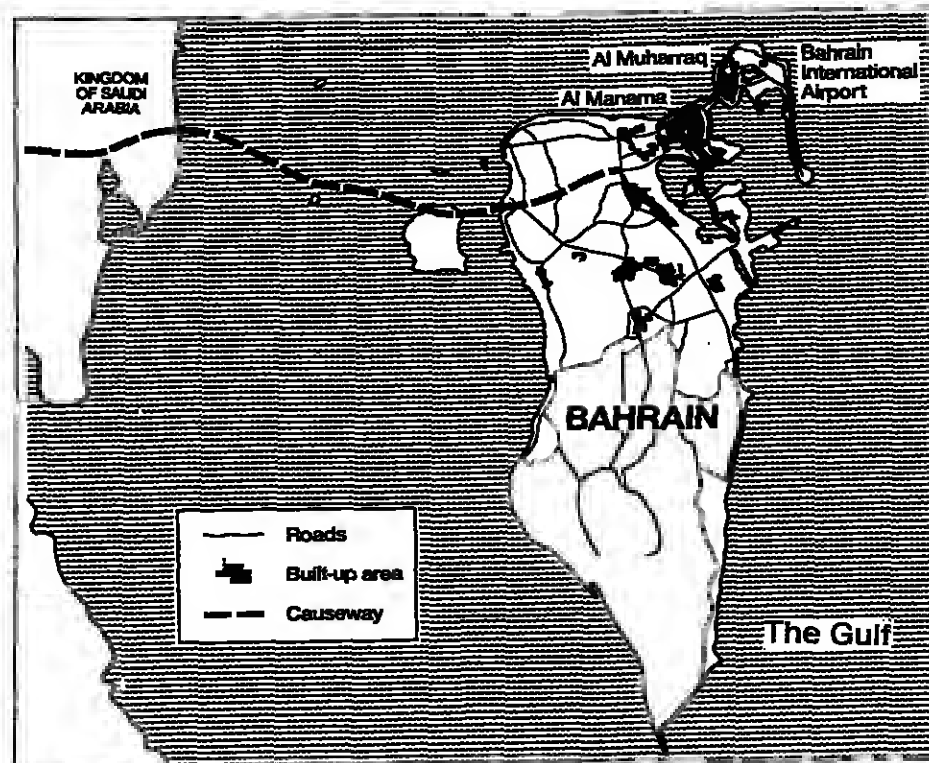
Sheikh Rashid Al Khalifa, director of tourism at the Ministry of Information, wants to see a revival of the pearl industry, which could become a major tourist attraction. This might be based on a special "pearl island," which could also be the site of a variety of cultural events, festivals and conferences.

Minister H.E. Tariq Almoayed sees the growth of tourism, particularly in the air-travel stop-over market, as an important potential employer. "The great opportunity for employment is one of the single most important aspects of the tourism drive, and the industry will certainly flourish if it is run by well-trained Bahrainis," he says.

As a start, the international traveler is being wooed by the recently completed and expanded duty-free shopping facilities at the airport. Following the lead set by other airports in the region, Bahrain has substantially improved its duty-free complex, which now offers one of the widest ranges of electronic goods anywhere in the Gulf.

Once again, Bahrain is on the move as far as development and confidence are concerned. A return to economic normality, greater concentration by the financial sector on private banking and investment services, a substantial tourist potential and the causeway are breathing new life into the island and creating new opportunities for the future.

— Lee Voysey



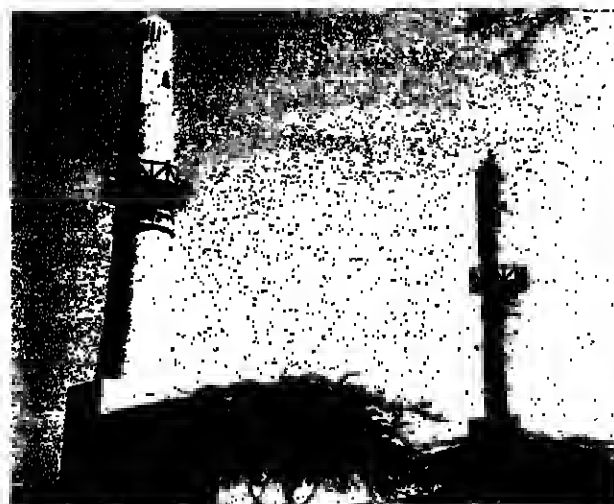
# BAHRAIN...

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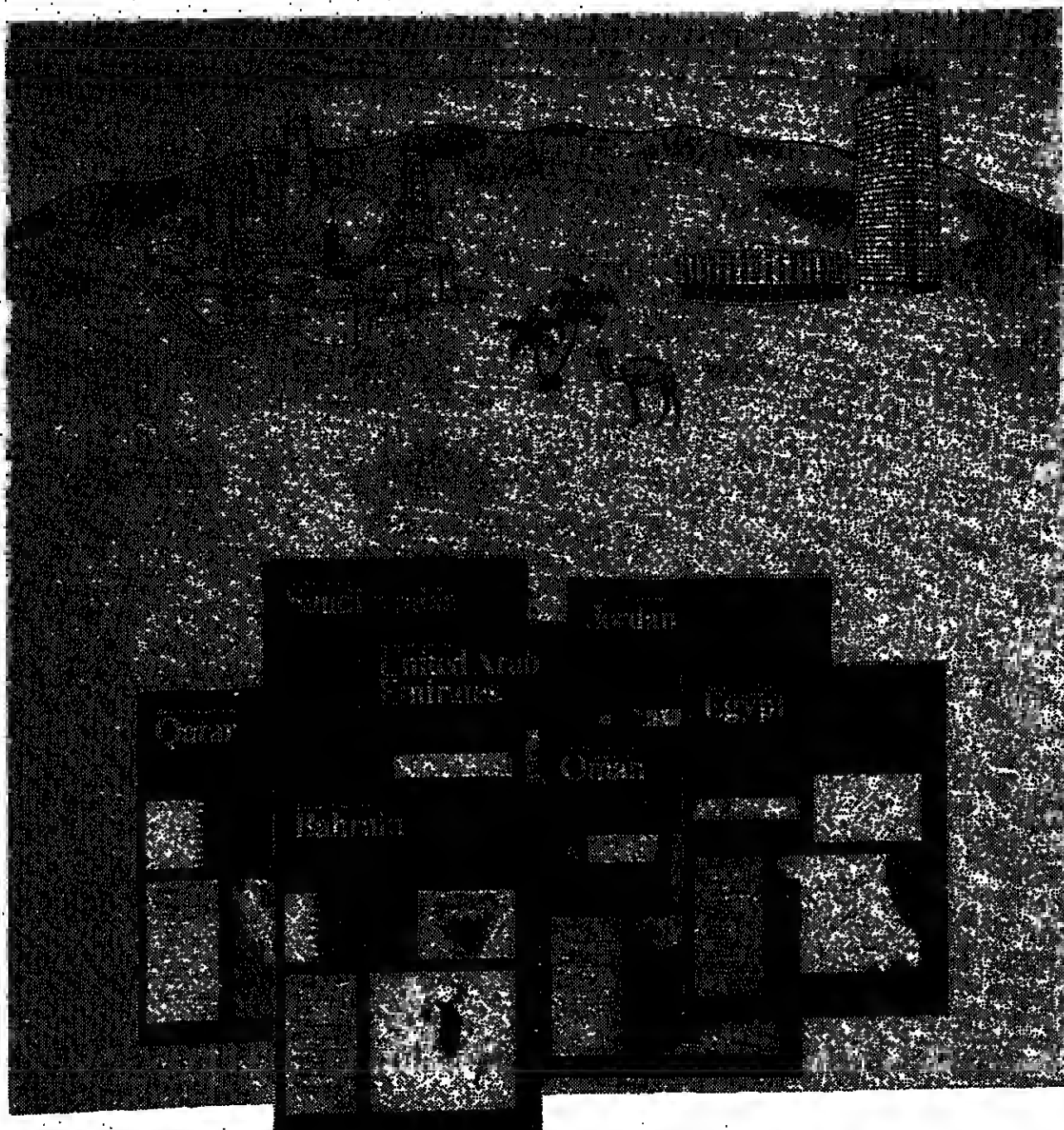
Centre (which is situated in the centre of Manama — the capital) with hundreds of exhibits covering Bahrain's rich historical past or perhaps you would like to visit the "Gold Souk" area and be dazzled by the many displays of traditional and modern gold jewellery.

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## ADVERTISING SECTION

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## Post-Causeway Communications

THE opening of the causeway has proved a major challenge for the communications industry in Bahrain. The first commercial delivery to Saudi Arabia, following the opening to goods traffic on February 15, 1987, was made by the local Mital Cables, and the firm predicts rapid expansion of markets.

Mina Sulman, the island's main port, is not taking the sudden surge in land transport sitting down. The

port's management intends to reap the full potential of the first overland exit from Bahrain. With the downturn in imports into both Mina Sulman and Saudi Arabia's eastern ports, neither side is anxious to lose business.

The shipping industry in Bahrain believes that Mina Sulman will boost market shares. The Bahrain port has quicker customs procedures, cheaper handling charges and user fees, and a Europe-

an-style business approach that goes down well with its clients. Nevertheless, a non-competitive approach may pay off. Bahrain Chamber of Commerce & Industry members have been meeting with their Dammam counterparts in recent weeks to discuss better joint-purchasing arrangements.

A joint public-transport company has already been set up by the two countries in order to exploit the link. Saudi Bahrain Public Trans-

port Company will offer low-cost connections to the Kingdom's largest city, which could affect the existing joint operation by Gulf Air and Saudia of a shuttle service between Muharraq airport and Dhahran. Car tolls for using the causeway at BD2 (U.S. \$5) per trip are considerably cheaper than the existing airfare, but delays on the causeway can sometimes cut down the competitive advantage. Foreigners must get visas, as if

they were entering by air. The Bahrain-based Gulf Air plans to go ahead with expansion of its route network. Says spokesman Hamad al-Medfa: "In the longer term, the United States and Australia are possibilities."

Bahrain has long prided itself on being an ideal stop-over for airlines operating between Europe and the Far East. Tenders for a terminal-extension contract were issued on February 9, with a closing date of April 7, and a project budget of \$58.3 million. The expansion will allow Bahrain's airport to handle 4.5 million passengers a year.

The introduction of the seven-day visa, to replace the current 72-hour arrangement for visitors, will certainly boost traffic. At present about 3 million passengers a year use the airport, which is served by more than 20 airlines. Swissair, Lufthansa and a number of Third World airlines have added new capacity in the past 12 months. Improvements have also been introduced in the duty-free shopping arcade, which is popular with passengers transiting Bah-



Batelco's main office in Manama.

rain on the long-haul routes to the Far East and Australasia. An airport tax of BD2 (\$30) a head has recently been introduced for departing passengers.

Bahrain Airport Services, whose staff of 1,800 operate all ground and catering services at the airport, now has a BD2.5-million new air-cargo terminal with an area of 62,000 square feet. A further expansion of engineering services, including new workshop facilities for aircraft maintenance, is also in the works.

Service industries in the communications field include the Arab Shipbuilding & Repair Yard (ASRY), which, in 1986, reported sales increases in ship repair

coupled with high productivity. With ship-repair yards in Europe and the Far East in difficulty, ASRY increased the number of vessels repaired and maintained a high dry-dock occupancy rate, close to 80 percent.

Also on the services side, the government decision announced on Sept. 1, 1986 to cut charges for international telex and direct-dial telephone calls by 15 percent has been widely welcomed by the business community. The Bahrain Telecommunications Company (Batelco) has introduced a number of new products, including a brand-new cellular mobile telephone system from Japan and a sophisticated West German paging sys-

tem. The cuts in tariffs have reduced Batelco profits by more than 33 percent, to \$46.7 million for 1986. International telephone traffic increased by 2.7 percent in 1986, but telex and telegraph traffic fell by 7.3 percent and 15.4 percent respectively. Batelco will spend close to \$66 million on telecommunications in the coming year. Among the companies already working on the program are a number of local contractors including Manai Engineering.

Batelco was the first company in the Gulf to link up to the Arabsat satellite system. At present, Batelco is using 74 Arabsat channels to communicate with Jordan, Kuwait, Oman, Saudi Arabia, Tunisia and North Yemen. For the future, Batelco has signed a further five-year management contract with Cable & Wireless of the United Kingdom, which retains a 40 percent stake in the operation. Communications remain essential if Bahrain is to retain its competitive advantage over other centers in the Gulf, and nowhere is this more true than in the fast-moving world of telecommunications.

— John Wilson

## Onshore Drilling Main Priority

THERE is still a future for Bahrain as an oil-producing and refining center, even if immediate prospects look patchy and production from the island's onshore oilfield is down to some 42,000 barrels a day (b/d). This oil industry is one of the oldest in the lower Gulf, dating back to 1932, and has gone through many changes.

Bahrain National Oil Company (Banoco) chief executive Mohammed Saleh Shaikh Ali says the hunt for more oil offshore has been shelved for at least two years. "We need time to interpret data collected so far, study new techniques and look for new offshore areas before we attempt to drill again," he says. The future of offshore exploration has been in question since July 1986, when the giant rig Al-baz was towed back to shore after a ten-month search. Bahrain is in fact an archipelago of 33 islands, where considerable offshore potential is thought to exist, but for the time being, work will go ahead onshore only. An extra 20 onshore wells are to be drilled in 1987, and according to Saleh, plans are in hand to start pilot studies on enhanced recovery techniques for oil and gas.

Says Saleh: "Our pri-

pal aim is to arrest the natural decline in the Bahrain field over the next couple of years." Banoco will drill 20 new wells a year until 1989 as part of a five-year development program. Bahrain has some 400 oil wells, while the refinery at Sitra has a throughput of 240,000 b/d, less than 20 percent of which is from local sources. As a result of the fall in Saudi crude-oil exports, production has been shut down at the Abu Safah field, which straddles the offshore median line between Bahrain and the Kingdom. In compensation, Saudi Arabia has made available 75,000 b/d of Arabian medium-type crude to Bahrain as a make-good to Bahrain for the loss of revenue from Abu Safah, which was shared between the two countries.

In January the cabinet approved a \$65-million expansion program at Bahrain National Gas Company (Banagas), which operates a liquefied-petroleum gas plant at Dhukhan. This would double the plant capacity to 340 million cubic feet a day. The expansion, which will be the fourth since the plant became functional in 1979, is necessary because of the growth in Bahrain's gas production, the result of the application

of enhanced recovery methods of oil production through the injection of Khuff gas.

More distant is the prospect of a major U.S. \$900-million expansion of the Sitra refinery itself. A feasibility study is being done by a team made up of representatives from the government and the operators of the refinery, Caltex Bahrain, which owns 40 percent of the Bahrain Petroleum Company. The study will take 18 months. If approved, modernization will take place in three \$300-million phases to be completed by 1995, with the aim of boosting output of high-value products. Advanced instrumentation and computer-process control are expected to play a greater role in the refinery.

Says Development & Industry Minister Yousef Al-Shirawi: "Bahrain's refinery has stood the test of time for 50 years. With an effective program of refurbishment and modernization, it can look forward to entering the 21st century with greater confidence."

On the petrochemicals front, Bahrain is committed to its role in the Gulf Petrochemical Industries Company. The chairman of this joint venture with Saudi

Arabia and Kuwait is a Bahraini, Tawfeeq Almoayed. GPIC has brought in the Manama-based Gulf International Bank (GIB) as its financial adviser, since the company is interested in restructuring its debt. GPIC started producing ammonia and methanol in July 1985. According to Almoayed, both lines are averaging production rates of over 100 percent, making the quantity produced to date in excess of 1 million tons. GPIC's problem is that falling world demand for its products has affected prices paid, but Almoayed adds: "Our profit margins are the only parameters that are suffering."

The competitive advantage of GPIC and other downstream industries based on Bahrain is that they are close to their raw materials. Provided the Gulf Cooperation Council (GCC) countries can overcome protectionist barriers in developed countries, their heavy investment in energy-based industries, made in the early 1980s when the cost of construction was low, should pay reasonable dividends in the years to come, thus avoiding Bahrain's becoming totally dependent on service industries.

— John Wilson

## Industry Attentive to New Land Link

THE current emphasis on service industries evident in the lower Gulf is being balanced in Bahrain by renewed enthusiasm for industry. The government is hoping to go ahead with a new industrial park in an area south of Hidd, which will be bigger than anything attempted to date. Says a senior official at the Ministry of Development & Industry, Yousef Al-Khaja: "The new area will be bigger than Sitra, but we are not in a position yet to reveal details of the project, which is at a planning stage." The new strategy is also said to include the establishment of industrial townships, taking into account long-term objectives. Says a senior government official: "These townships will be identified for ensuring future growth of the manufacturing and industrial enterprises, both in the public and private sectors." He adds that past experience in regard to township planning in Bahrain has been "good and encouraging," as witnessed by the Issa Town project started by the current Amir.

Despite the energy with which Bahrain's industrialization drive has been promoted by its veteran 63-year-old Development & Industry Minister Yousef Al-Shirawi, many promising projects, particularly in the light-industry sector, have been slow to come to fruition. That may now be changing. According to a senior executive at the British Bank of the Middle East, who made a special study of local industry in Bahrain: "A lot of new industries were struggling along without the benefit of protection, but since December this has changed."

Three that received import protection in December 1986 were Gulf Acid Industries, Albourshaid Industries and Maskati Brothers & Company. The protectionist legislation is described as "a trial," but it is understood that products competitive with those made by the three companies will be penalized if imported. On the government side, there has certainly been no lack of initiative in exploiting opportunities such as the opening of the King Fahd Causeway link to the Eastern Province of Saudi Arabia. Says the director of industry at the Ministry of Industry & Development, Khalid Asboud: "The enormous industrial potential offered by the Kingdom of Saudi Arabia will hopefully witness greater participation of the private sector."

Among the established industries having a good year is Aluminum Bahrain, one of the island's largest

employers. The smelter's 1986 output amounted to 178,188 tons of hot metal and 178,194 tons of finished products, both increases on 1985 production. The Gulf states were the most important market, taking 67,000 tons, but local purchases doubled to 47,500 tons. Much of the increase was taken by the Gulf Aluminum Rolling Mill Company, which started in January 1986 and in its first year purchased some 25,000 tons. Other users were Bahrain Atomizers International, Mital Cables and Bahrain Aluminum Extrusion Company (Balexco).

Balexco is one of the major success stories in the industrial development of Bahrain. Having celebrated its 10th anniversary in March 1987, this 100-percent-government-owned venture is already prospering as a result of the opening of the causeway.

Says Balexco chairman Dr. Abdul Latif Kanoo: "The opening of the causeway has helped us save money in transport costs, and will enable us to promote the aluminum industry from Bahrain to the other Gulf states. And we have succeeded in selling our product in the face of cheaper imports because of quality." Balexco was the first aluminum extrusion plant in the Gulf, and has now achieved an output level of 6,000 tons a year. It saves the Bahrain economy approximately U.S. \$5.3 million a year on imports of aluminum, and earns \$10.6 million a year from its exports. Balexco is now looking to diversify its product range, and in the future will manufacture more value-added products.

Bahrain's highly skilled private sector may soon turn again to industrial projects now that the causeway has provided a link to the Saudi hinterland. In taking advantage of this opportunity, Bahraini businessmen will have to compete with their subsidized Saudi counterparts, particularly those at the Jubail industrial city, 150 kilometers (93 miles) north of the causeway.

The Bahrain advantage is the quality of life that the island and its liberal tradition can offer to an industrial work force which, even with rapid Bahrainization, is still very dependent on foreign workers. Still, not every industry is a first-time winner, and some companies have been having difficulties, partly due to the recent overall recession and also because of the Gulf war.

One example is the Arab Iron & Steel Company (Aisco) plant in Bahrain, which is trying to break even. Built at a cost of \$160

million, the company saw a \$31.6-million loss in 1986. With sales costs for the year totaling \$16.1 million, only \$4.7 million was made in revenues. Executives at Aisco put some of the blame on the Gulf war for depriving the plant of 50 percent of its potential market.

But, as the business com-

munity is constantly reminding everyone, there is likely to be a rapid return to profitability in many sectors when hostilities cease — whenever that might be. What is certain, though, is the beneficial effect in many sectors of the land link with Saudi Arabia.

— John Wilson

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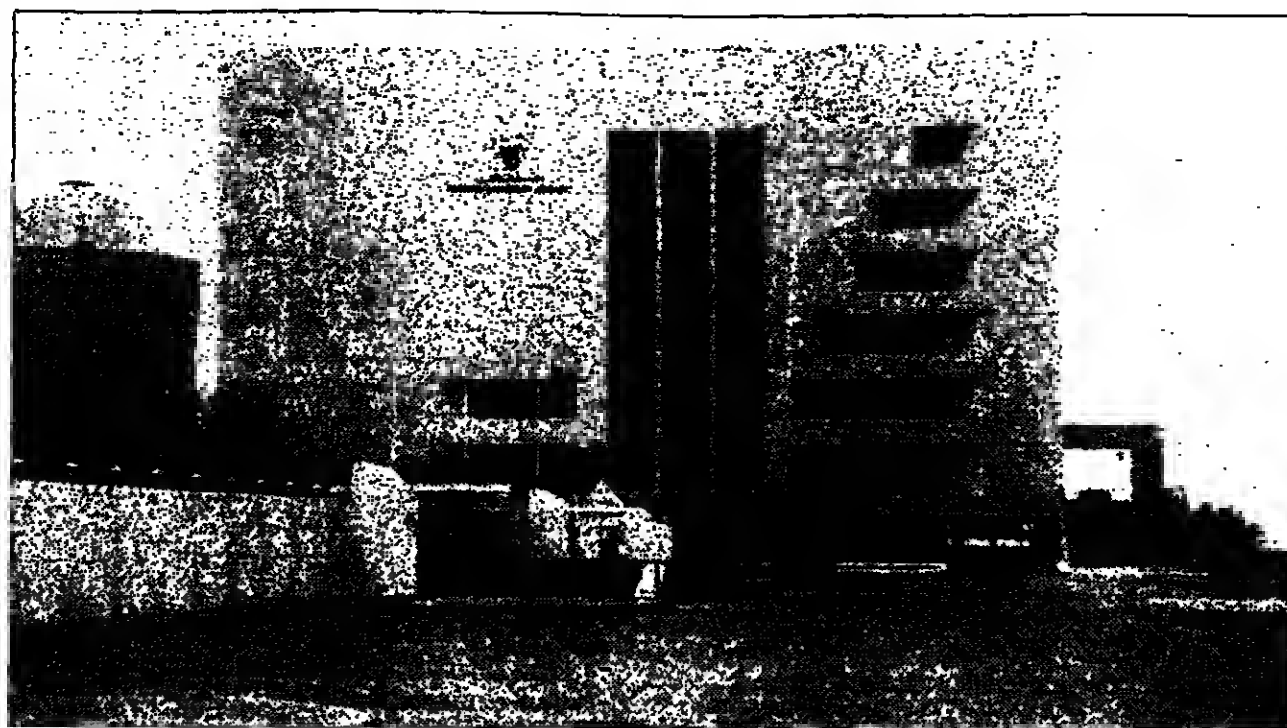
## Investment Banking in the Limelight

**R**ENEWED emphasis on investment banking is repositioning Bahrain as a financial center, after a period of slowdown when assets of the reporting offshore banking units (OBUs) stagnated in line with the general economic decline in the region. Investors' seminars are now the new vogue. These include the biggest players, such as the Arab Banking Corporation (ABC), which recently took a road show to Dubai, and niche specialists like Bahrain International Bank (BIB), which has a growing involvement in international financial markets as well as prudent management. BIB has only 25 employees, but in 1986, on total assets of \$346 million, increased its net income by 15.6 percent to \$16.3 million. The bank invests mainly in high-quality U.S. financial instruments, but plans to move into American real estate and to develop various

in private companies in West Germany. BIB is acting as underwriter and sole placement agent of the fund. Says BIB's general manager, Donald Selinger: "Within the international investment community we are now viewed as a highly creditworthy institution. This recognition has enhanced our ability to deal actively in the global financial and capital markets."

Despite Selinger's bullish statement, which is mirrored by many other Bahrain-based banks, the community has taken some body blows in the past quarter, although figures released in February by the Bahrain Monetary Agency (BMA) covering the third quarter of 1986 show the first quarterly increase in OBU assets since 1985: to \$53.5 billion in September 1986 compared with \$51.1 billion at the end of June 1986. And despite the decision by Lloyds Bank to withdraw, announced in December, many of the other long-established banks, including the U.S. Manufacturers Hanover Trust Company, which opened in 1975 in Bahrain, have remained committed, as have regionally based institutions such as Scandinavian Bank, licensed in Bahrain in 1976.

Many of these international banks realize that to abandon Bahrain now would be shortsighted. The King Fahd causeway has brought more rich Saudis and Kuwaitis into the city. This has corresponded with a general improvement in the fortunes of many of the OBUs. At United Gulf Bank, first-half 1986 results showed a profit of \$4 million after provisions, compared with a loss in 1985. But the local banks with strong branch networks are in the best position to benefit from the retail boom. Among them are the Bank of Bahrain & Kuwait, whose



The office of the Bahrain Monetary Agency.

recent share issue was fully subscribed: an issue of BD\$4 million (\$143 million) in new capital.

BBK was hit in 1985 by non-performing loans, but has reacted well with the appointment of a Bahraini as general manager: — Murad Ali Murad, formerly general manager of the Saudi National Commercial Bank in Bahrain. This is one of the top performing OBUs, its special expertise being in Saudi royal financing.

As part of its growing international profile, BBK opened an office in Istanbul in November 1986 to capitalize on the growing investment flows between the Gulf and Turkey.

The national group most committed to Bahrain is undoubtedly the Japanese, although they were also the last into the field, having only started to arrive in force in 1980. One of the early ones was Namura Investment Banking (Middle East), a wholly owned subsidiary of Namura Securities

Co., Tokyo, which received a license in 1982. It now has a paid-up capital of \$25 million. In February, trading started at Okasan International (Middle East), a joint venture involving Bahrain's social-security organization, Arabian Investment Banking Corporation (Investcorp), two Kuwaiti groups and Marubeni International Finance. The bank intends to focus on investment between Japan and Bahrain — no small ambition considering its \$3 million paid-up capital — but it will concentrate on securities, underwriting and brokerage. In 1986 the Japanese in Bahrain had what they will concede was an excellent year, made profitable by the strength of the Tokyo market and the rising yen — two external factors unrelated to the economic health of the Gulf.

The Bahrain government's policies toward industry have led to new opportunities for the banks. Among the most active is the British Bank of the Mid-

dle East (BBME), which describes 1986 as having been a "difficult year in which plummeting oil prices continued to depress most Middle East economies." Despite this overall picture, operations in Bahrain made a strong contribution to the balance sheet. BBME has offices in nine Middle Eastern countries, including a 40 percent stake in the Riyadh-based Saudi Briosh Bank.

The OBUs in Bahrain have been contributing greatly to the growing sophistication of the marketplace. A money-market instrument that has been growing in popularity is the commercial paper — a short-term note issued on behalf of Gulf borrowers which can be traded — a good example of which is a new \$100-million program for Gulf Air, the Bahrain-based airline owned by Abu Dhabi, Qatar, Bahrain and Oman. Futures and options are appearing on a limited scale, with a few banks becoming more active in Future Rate Agree-

ments. Within Bahrain, Treasury bills have been introduced by the government as a means of financing its deficit.

Some of the OBUs, like the Arab Solidarity Bank, which has recently changed its name to Arab Saudi Bank, are having to develop new skills to take advantage of new monetary instruments and other innovations.

Inevitably, any discussion of Bahrain as a banking center returns to the performance of the big two, ABC and Gulf International Bank (GIB). Here the news is good. ABC in February announced net profits for 1986 of \$107 million, with provisions of \$53 million, compared to \$109 million profits and \$61 million loan-loss provisions in 1985.

Total assets recorded a growth of 11.6 percent during the year, increasing from \$13.06 billion at the end of 1985 to \$14.58 billion at the end of 1986.

In an aggressive series of moves in early 1987, ABC set up American and Dutch joint ventures. The U.S. project, American Bridge Finance Limited Partnership, is to specialize in providing bridging or convertible loans of \$1 million to \$5 million for small and medium-sized American companies in the run up to the flotation of their stock, while the Dutch company, ABC-Kooijman Capital Markets, is to engage in a wide range of activities, including management buy-outs, mergers and acquisitions and securities underwriting. At GIB a progressive picture emerged in 1986, with net income at \$70 million, 4.5 percent higher than in 1985. Total assets rose by 3.6 percent to \$8.06 billion. GIB's general manager Ghazi Abdul-Jawad, commenting on the results, said the bank's strategy was to establish its services in Bahrain first, and then expand to London and New York if necessary. This points to the bank's continued penetration of trade finance markets and, in particular, to its growing role as a conduit in the trade flows between the Gulf and other areas of the world. With ABC having strengthened its Far East links with a Tokyo representative office in October 1986, GIB plans to open in Frankfurt in the third quarter of 1987. Bahrain is also home to a number of other banks that have made a name for themselves in the United States. Investcorp boasted record profits for 1986, with net income of \$15.2 million for the year — a 25.6 percent increase over 1985, and the fourth consecutive year of record earnings. Business will be expanded in the United States and Europe this year, with the opening of a New York office. Investcorp is one of the region's most profitable banks, showing a 4.5 percent

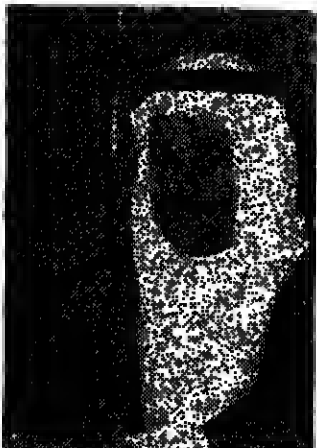


Mr. Yacoub Youssef Mohammed, deputy general manager of the National Bank of Bahrain.

return on average assets in 1986. A November 1986 share issue was hugely oversubscribed.

As might be expected, the chairman of the Bahrain Bankers' Association, Iqbal Mamdani, who is president of the Trans-Arabian Investment Bank (TAIB), declares himself generally optimistic about the future. In 1986 the bank made a \$6-million net profit. TAIB is soon expected to announce a portfolio-investment service. The bank is also working on an Islamic fund, says Mamdani: "We've cut back our loans to a very conservative level, we have put ourselves on the international map to widen our earnings base, and we are also working on a number of products which we hope will appeal to our customers." Mamdani, one of the veteran commentators on the Bahrain banking scene, says 1987 "should be the year of innovation and vigor" for his bank. It could also be the motto of Bahrain, today emerging as an investment-banking center now that the construction boom is over.

— John Wilson



Abdullah H. Saif, governor of the Bahrain Monetary Agency and chairman of GIB.

investment instruments for aggressive marketing in the Gulf. The first of these, launched in March, was the Gulf Matuschek German Private Companies Fund, which will provide Gulf investors with the chance to participate in equity and equity-related investments

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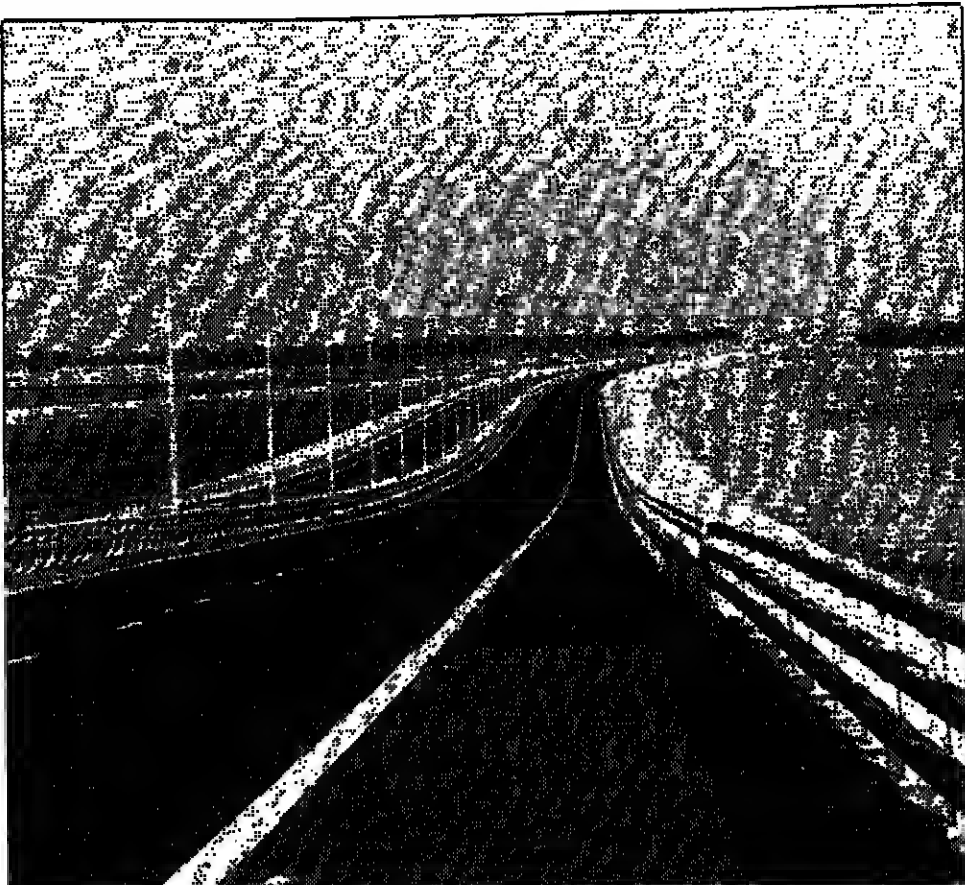
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The causeway looking towards Bahrain from the direction of Saudi Arabia.

## Entering the Causeway Era

THE building of the King Fahd Causeway linking Bahrain with the Eastern Province of Saudi Arabia 25 kilometers (15 miles) away has not only been a considerable feat of civil engineering, it has also resulted in major changes in the pattern of social engineering among the six Gulf Cooperation Council (GCC) countries, which now have a land link for the first time.

The Saudi minister of finance and the national economy, Mohammad Aba-Khail, has said that the causeway is "a major contribution to the joint development of GCC member countries."

Since the grand opening of the causeway last November, after numerous delays following its completion one year ago, about one million people are estimated to have crossed from both sides. Passenger traffic is now around 35,000 per week. The causeway has created significant changes in business, especially in transport and distribution, at the cost of some existing services, particularly air and the traditional dhow trading routes between the island and the mainland. It has also created new opportunities for some Bahraini manufacturers and exporters.

However, as Sheikh Isa Bin Abdullah Al Khalifa, Bahrain's development ministry undersecretary, says: "The human factor arising

from the finalized link is a benefit Bahrainis can look forward to enjoying."

Certainly on the human side it has opened up new possibilities for leisure and recreation. Already hotels in the island are busier than ever before on the weekends, but it is still too early for the real impact of the causeway to be measured.

The plan for the causeway was first mooted 34 years ago by King Saud bin Abdul Aziz Al Saud. But it was not until a lunchtime chat between the two rulers in the mid 1960s that the idea began to take on a more distinct form. A joint Bahrain-Saudi causeway committee held countless brainstorming sessions with experts from all over the world to try to ascertain the best form for a land link between the two countries.

In 1973 Bahrain was finally able to give the go-ahead for detailed planning of the project. Two years later a joint venture was formed between Al-Mechandis Nizar Kuri of Saudi Arabia and two Danish companies, Christiani and Nielsen and Kampsax International. Known as Saudi-Danish, it made a detailed feasibility study, and after fierce competitive bidding, the main part of the \$546-million contract for the causeway itself was awarded to Ballast Nedam Groep in the Netherlands in 1981. Bids were received from more than 200

companies. The total value of the contract with ancillary works and approach roads was more than \$1.2 billion.

The causeway consists of five bridges and seven embankments, with an artificial island at the halfway point for the two border-control stations. The bridge over the main shipping lane is 90 meters wide and 26.5 meter high (297 by 87 feet). Its supporting piers have been built to withstand a maximum ship-collision impact of 2,000 tons. All the concrete structures are also built to withstand major earthquake shocks — up to 6 percent lateral earth movement.

The border stations have customs and immigration facilities, tower restaurants, shops, mosques and desalination and sewerage plants, and are more like small villages on an ocean island than control points. Solar laser equipment was used to position the piles, which form the backbone of the causeway. Its construction called for 13 million tons of sand, 5 million tons of rocks and stone and 365,000 cubic meters of precast concrete.

Making the piles was a major operation, and Ballast Nedam had to build a special precast concrete production yard — one of the largest in the world. A multinational labor force — predominantly Southeast Asians — worked on the

project. The average number of employees on site numbered 1,300-1,500.

As the construction was nearing completion in late 1985, less than five years after it began, a special joint commission between Bahrain and Saudi Arabia was established as the main operating body. The causeway has been designed to cope with up to 26,000 vehicles a day traveling in any one direction. This capacity should be sufficient until the year 2000.

Since February, the link has been open 24 hours a day. Pedestrians, motorcycles, cyclists and horse-drawn vehicles are not allowed to use the causeway. The charge for cars is BD2, and BD3 for vehicles carrying up to 25 passengers.

A special joint-transport company, Bahrain-Saudi Arabia Company, has been formed to provide passenger and freight services between Manama in Bahrain and Dammam in the Eastern Province.

One new business that has sprung up as a result of the causeway is the United Insurance Company in Bahrain, which provides mandatory insurance coverage for vehicles using the causeway.

The curving sweep of the four-lane highway (there are also two emergency lanes) on the causeway creates a dramatic and elegant vista as it sweeps across the sea to Saudi Arabia. It is one of the most spectacular civil-engineering achievements to date in the Arab world. Most important of all, it opens up new horizons for the community of Bahrain; now no longer an island.

— Lee Voysey

## ABC Ends First Phase of Development

THE Arab Banking Corporation (ABC), one of the two biggest Arab banks incorporated in Bahrain, has had a highly energetic first seven years. It started in 1980 with a room in Bahrain, a man with a vision — Abdullah Saudi — and a couple of office staff. Since then the bank, owned equally by Kuwait's finance ministry, the Abu Dhabi investment authority and Libya's treasury secretary, has forged ahead in the international banking scene to show at the end of 1986 footings of \$14.6 billion and a steady annual net income over the past four years of \$107-\$110 million.

This year, however, says Abdullah Saudi, ABC's president and chief executive, is a time for assessment as the bank completes what he describes as its first phase of development. "In this first period we have achieved a lot of our projections. ABC is now established as an international bank that enjoys respect and prestige. We are diversified; we can offer a wide range of services to our clients. What we now need is to strengthen this position by reinforcing efficiency." This means that communications systems, structures and information, hardware and software have got to respond appropriately and quickly to the needs of the new global ABC group — subsidiaries, affiliates, offices and branches — and thereby ensure maximum profitability on the group's existing assets.

ABC was started with \$750 million share capital as

part of the drive by oil-rich states to diversify their assets. Strategy, directed since the beginning by Saudi, has been to create an international bank with an international clientele and deposit base, and a group strong and diversified enough to sustain growth during the cyclical world economic fluctuations. Saudi commented in a recent interview with the London-based Middle East Economic Digest: "It is important to diversify our assets, but more important to diversify our liabilities." The strategy of the three shareholders has been to keep their distance and let ABC management get on with developing the bank.

ABC followed the acquisition trail with vigor, aiming to buy a client base in major markets and opening its own branches or offices in other major centers. It bought all but 10 percent of the West German Bank Richard Daus & Co. in 1982; in 1984 it bought one of Spain's larger banks, the Barcelona-based Banco Atlantico, with some 200 branches, and in 1985, 75 percent of the Sun Hung Kai Bank in Hong Kong, now called International Bank of Asia. It has also formed a joint venture for stockbroking in the Netherlands through its investment-banking subsidiary.

Simultaneously, ABC was opening offices worldwide and developing subsidiaries. By the end of 1986 it had branches or representative offices in London, Paris, Milan, Rome, New York, Houston, the Cayman Is-

lands, Singapore and Tokyo. In a number of these centers ABC has also established subsidiaries, the highest concentration of these being in London. Saudi says he would like a greater presence in some other markets, citing the Far East as one, provided domestic regulations are acceptable. But he adds: "At this moment our acquisitions are enough. Our emphasis is on assessments."

Saudi, often described as charismatic or aggressive, and sometimes as both, now aims to get maximum efficiency out of the ABC worldwide group. "We are a young bank, but born big. We need to fill the gaps in our systems. We are happy with what we've done, and in today's challenging international banking environment we shouldn't minimize benefits. We can look to expansion through our subsidiaries and to the longer term target of balancing our gearing and ratios." ABC is, like other young Arab-owned banks, conservatively geared. In Saudi's view it has ample room for growth.

To this end an internal restructuring of ABC is in progress, dividing the bank's business into five sections: global treasury, to coordinate funding of all units worldwide; commercial loans, letters of credit and trade and commercial facilities; investment-capital markets, corporate finance and bond markets; direct investment, to oversee and coordinate ABC's own investments; and new products, for assessment and innovation.

Development of new products is not easy. "They are getting more sophisticated, and we need a proper setup for them," says Saudi. "Products such as REIFs might not suit ABC, but we may look at swaps and debt management." ABC has been developing its fee-income base. "In 1986 fee income increased to 35 percent of total revenues from 1985's 29 percent," said Saudi, adding, "I must admit it is not easy, and the competition is strong. But we can sometimes achieve related business, and this contributes to growth." ABC has also created ABC Investment & Services Co. in Bahrain to offer investment-banking services to individuals. It now considers its track record good enough in this area; previously ABC's investment-banking clients have been in the public sector.

The location of ABC's head office in Bahrain, says Saudi, "is still very suitable. Originally we looked at Bahrain, its facilities, its communications and time zone and decided to locate there. Those same qualifications apply today." While ABC's head office remains there, along with the Middle East region's head office, some regional branches are being redeployed. For instance, the New York branch, whose assets top \$1 billion, and the Milan branch became head offices of their regions.

As for outlining the second phase of ABC's development, Abdullah Saudi, had the last word: "I'll tell you next year."

— Caroline Montagu

## Gulf Air Facing Up to New Market Conditions

GULF Air showed a loss of BD4 million (\$10 million) during 1986, the result of a downturn in the regional economy and partly of recessionary forces plaguing the airline industry in general. It expects to earn BD173 million (\$460 million), representing a fall of 24 percent from 1985.

The airline's woes stem from a variety of factors, but mostly from a lower level of disposable income, the aggressive sales pitches of several airlines offering unauthorized fare discounts and increasing competition from local regional markets.

Hamad A.F. Al Media, executive vice-president in

charge of marketing, considers the denial of air traffic rights in some Asian and European sectors a serious impediment to Gulf Air's expansion program. "Airlines that are allowed to operate in the sectors that form the home base from Gulf Air have been blocking our entry into their territory," he said. "The open-air policy followed by governments has not been reciprocated." He hopes that these disputes will be resolved, permitting management to implement its expansion plans.

Even so, the airline will be obliged to operate under austere conditions. Reduction in government expenditure has triggered a series of

economic repercussions, bringing down the level of commercial and industrial activity in the region. This has been followed by a substantial fall in purchasing power. In addition the appropriate population, which made up a major share of the travel market, has been shrinking as projects are completed and governments pursue localization policies.

"In order to cope with the emerging market trends and remain competitive, Gulf Air has been concentrating its efforts on improving the operational efficiency of existing routes, reequipment and refurbishment of aircraft, planned expansion within the region and in the

transcontinental sectors and optimizing cost effectiveness," Media said.

As part of its cost-cutting Gulf Air streamlined its organizational structure, laying off hundreds of employees. According to Ali Ibrahim Al Malki, the airline's president and chief executive, the step was inevitable, lowering for a while the morale of management and staff. "A number of aircraft currently on lease will be returned upon the expiry of their contract period. A reduction in fleet necessarily reflects on the staff strength," he said.

Media believes that the airline has immense potential for growth in the Far

Eastern and European sectors. The airline hopes to increase its frequency to Hong Kong, Bangkok and Manila. "As the largest Gulf-based operator flying into London, the station is among the most important for Gulf Air. All expansion in our European operations will be based on this key factor. Much will, however, depend on the permission granted for access," he said.

The airline's diversification program includes involvement in the hotel industry (with one hotel each in Bahrain and Doha, Qatar, and a newly opened hotel in Abu Dhabi) and a helicopter company in Doha.

— Stephen Victor

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## FINANCIAL INFORMATION:

	1986 US\$	1985 US\$
NET OPERATING INCOME	833,195	407,895
AUTHORISED CAPITAL	30,000,000	20,000,000
PAID UP CAPITAL	23,905,480	20,000,000
TOTAL ASSETS	94,390,508	73,966,587

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## ADVERTISING SECTION

## ADVERTISING SECTION

## Okasan Sets Up in Bahrain

WHEN Okasan Securities Co. Ltd. of Japan (total assets \$25.64 billion at the end of 1986) decided to establish its presence in the Middle East, Bahrain was the "first and natural choice." Undaunted by the presence of almost 200 commercial, offshore, investment and specialized banks, foreign exchange and money brokers and representatives, Okasan saw the advantages of modern communication facilities, sophisticated banking procedures, a tolerant society and most of all a strategic location and a favorable time zone. According to Tadashi Shindo, managing director of the group, "internationalization" formed the core of the company's development and expansion program during 1986.

Okasan International Middle East (OIME) was set up in December 1986 as an investment bank jointly with Bahrain's General Organization for Social Insurance; Arabia Investment Banking Corporation (Investcorp); the Kuwait and

Middle East Financial Investment Co., Kuwait; Abdulmoheem Abdul Aziz Al Babtain Company, Kuwait; and Marubeni International Finance PLC, England.

The company offers extensive services in the field of securities, including sales, brokerage and underwriting. Advisory services are also available to customers engaged in activities, with the involvement of the countries of the Arab Gulf Cooperation Council (Bahrain, Saudi Arabia, Kuwait, the United Arab Emirates, Oman and Qatar) or the other Middle East countries.

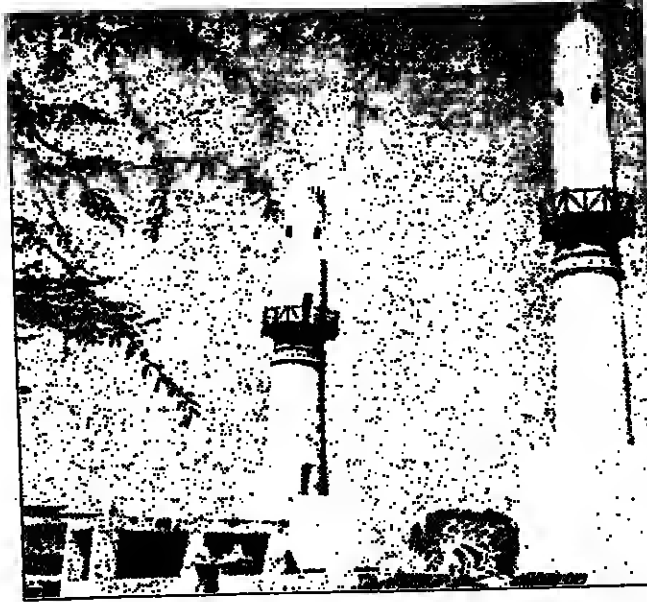
According to Koki Haga, the company's Bahrain-based managing director, the OIME is well-equipped to offer comprehensive services and facilities to individual and corporate investors. "As investor needs continue to diversify with the rapid industrialization of the financial markets, OIME will mobilize the requisite resources to achieve the targets and objectives specified by the clientele," he said adding that the company aims to

grow with its customers and looks to a future of continued prosperity.

OIME's activities include investment opportunities in the equity, warrant, bond and other debt-security markets of Japan and other international markets, portfolio management of investment funds, advisory services, direct-investment opportunities and security-related activities.

The company's projected short-term performance is reflected in the corporate strategy announced by S. Kato, president. He lists as key areas of concentration progressive liberalization and internationalization of Japan's financial markets, sophistication and diversification of customer needs, expansion of field business, introduction of financial instruments and further development of 24-hour trading in Japan. He has also announced the introduction of a three-year plan that aims to offer quality service, guaranteeing safe returns on investment.

— Stephen Victor



Al-Khamis Mosque.

## The Island of Immortality

BHRAIN'S heritage and culture has long interested historians and archeologists. They have traced its roots as far back as 3,000 B.C. when, they believe, the island was the land of "Dilmun." According to the ancient writings of Sumeria and Assyria, this was an island of immortality where there was "no widow, no sickness, no death or lamentation."

Many historic ruins have been found on Bahrain, dating from the Bronze Age and beyond to the remains of fortresses left by the voyaging Portuguese, British and Danish archeologists have played an important part in uncovering the nation's past.

Recently, Sheikh Haya Al Khalifa was appointed undersecretary for cultural and national heritage. The new government post was created partly as a result of the causeway project, which threatened thousands of ancient burial mounds lying in the path of the approach roads and a housing project. Also recent is a major study being done on the old pearl beds, abandoned in the 1930s after oil was discovered.

Pearling was once the sole basis of the economy, and Bahrain's pearls were famous for their quality among Gulf traders.

Not far from the Diplomatic Quarter is the brand-new BD10-million Bait Al-Quran museum. It will house the many Islamic manuscripts, prints and other relics collected over the years by Dr. Abdul Latif Jassim Kanoo. When all the exhibits are finally installed, it will rival the recently built museum of Islamic treasures in Kuwait. But the Bait-Quran will have more than just permanent displays of Islamic material. It is also intended to be an important study and information center for Islamic literature and ideology.

Maintaining and encouraging interest in Bahrain's heritage is seen as an important part of government policy as rapid economic development takes place in the island. As construction work continues and archaeological discoveries are made, history is being "rewritten." This has aroused renewed interest, particularly among Bahrainis themselves.

هناك من الناحية

## MHT Stresses Global Banking Operations

WHILE the money market in the Gulf in general and Bahrain in particular has been experiencing difficulties arising from "risk-prone lending," banking institutions that have struck a balance between their assets and liabilities are in a safe position. Restricting their credit expansion largely to activities that guarantee safe returns, banks have been directing their marketing efforts towards portfolio investments and other avenues that are generally called "off-balance sheet activities."

The operations of the Manufacturers Hanover Trust (MHT) in Bahrain have made significant strides during the past two years, adapting in the process to changing money-market conditions. In terms of international banking operations, 1985 was a watershed year for the bank, during which it demonstrated the ability to adapt itself to the requirements of the region. Acting as an effective link between the principal American markets, its services are continuously used by a growing list of clients and banks in the Gulf.

According to Albert I. Kirtaneh, vice president and manager of the Bahrain branch, the company's ability to access the international money markets quickly through modern and sophisticated microelectronic technology has encouraged its clients to seek a variety of foreign exchange services. "Apart from speed and efficiency that are guaranteed, MHT also offers a comparative cost advantage in communications and the option to obtain services through conventional methods," he said. "The market trends signal a significant turn towards global banking."

MHT has been an active participant in the transition of the banking sector from conventional practices to modern techniques since its presence in Bahrain was established ten years ago. As Kirtaneh describes: "Initial activity comprised almost all aspects of traditional banking, including letters of credit, refinancing and accommodation to trade. We have registered significant improvements since then to offer innovative products to cope with rapid changes occurring in the financial practices and requirements of the business community."

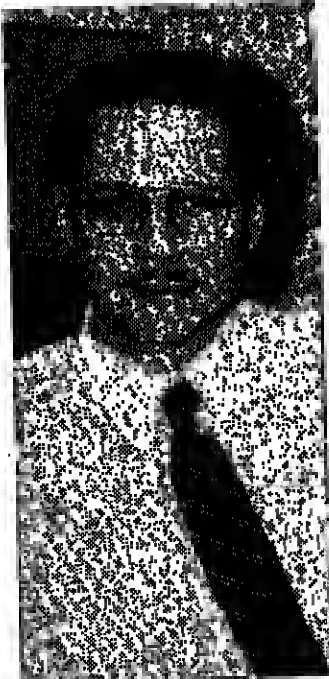
The bank's regional process center in Bahrain has proved to be highly beneficial to the banks in the area. The center has been effectively using the potential offered by foreign-exchange trading, interest-rate and currency swaps, Euro bonds and notes and local currency lending. "Expansion in foreign-exchange activities has been continuous, and MHT can claim to be foremost in the field of spot interbank transaction," Kirtaneh said. "The difficulties experienced by the banking institutions and the money markets of the region during the recession period can be regarded as vital experience and as a guidance for the future. We, however, intend to stay on in the market."

— Stephen Victor

— Lee Voysey

## Scandinavian Bank

CHRISTOPHER Hart, general manager of the Scandinavian Bank, a market maker in the Saudi rial money market, is optimistic about the future of the area's economy. "The nature of our business and the volume of that business reflect the changing dynamics in the region," he says. SB's activities over the last ten years are closely linked with those of Scandinavian companies in the area, especially in Saudi Arabia. "We recently identified 177 companies with a presence in the Arabian peninsula, and a growing number of them are now involved in light-manufacturing projects on a joint-venture basis," says Hart, underlining the switch in interest from construction to light industrialization and manufacturing in Saudi Arabia. Commenting on these changes, he says: "It is important to recognize that we have reached a normal level of market activity for a country of 10 million people... when considered in this light, the level of business activity that we see today is logical. One should not compare the Saudi Arabia of 1986 with that of 1982, but rather that of 1986 with that of 1976."



Christopher Hart, general manager, Scandinavian Bank, Bahrain.

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## Consolidated Balance Sheet

	31 December 1986	31 December 1985
	US\$ ('000)	US\$ ('000)
<b>Assets</b>		
Cash and short term funds	264,995	228,279
Other deposits with banks	148,654	178,354
Marketable securities	5,540	5,333
Certificates of deposit	60,800	60,000
Commercial loans and advances	246,319	228,814
Accrued interest and other assets	9,782	14,474
Fixed assets	712	866
<b>Total assets</b>	<b>736,802</b>	<b>716,120</b>
<b>Liabilities</b>		
Deposits from customers	28,642	15,009
Deposits from banks	571,233	583,528
Certificates of deposit issued	17,000	—
Accrued interest and other liabilities	8,078	9,605
<b>Total liabilities</b>	<b>624,953</b>	<b>608,142</b>
<b>Shareholders' Funds</b>		
Share capital	52,000	50,000
Statutory reserve	1,585	1,198
General reserve	8,000	6,500
Retained earnings	264	280
<b>Total shareholders' equity</b>	<b>61,849</b>	<b>57,978</b>
Shareholders' subordinated loan	50,000	50,000
<b>Total shareholders' funds</b>	<b>111,849</b>	<b>107,978</b>
<b>Total liabilities and shareholders' funds</b>	<b>736,802</b>	<b>716,120</b>

- The Bank's consolidated net income rose by 14.5% in 1986 from US\$ 3,380,000 to US\$ 3,871,000.
- A stock dividend of 4% (US\$ 2,000,000) has been paid with the remaining profit transferred to reserve accounts.

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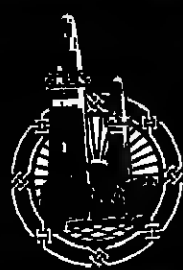
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## ADVERTISING SECTION

## ABN Anticipates Growth Period

**B**AHRAIN'S banking industry has undergone a tumultuous phase after a period of hectic economic activity during the boom years of the 1970s. The market in general, and the construction and consumer sectors in particular, have been shrinking with the completion of major infrastructure projects and the resulting mass exodus of the expatriate population. Worldwide recession, worsened by the collapse of oil prices, has had an adverse impact on several segments of the economy. The performance of the banking sector during 1986 must be viewed against such a backdrop of events, says W.J. van der Mei, general manager (Middle East and Africa) of the Algemeen Bank Nederland N.V. (ABN).

According to him, investment banking and other modern practices have immense potential, which can be exploited not only to sustain growth and development but also to compete effectively in the international finance market. Although the ABN in Bahrain does not possess a license to participate in this activity, the prospects for innovative techniques in banking are bright, he says.

Although in comparative terms the performance of the bank during 1986 was not up to expected levels, Mr. van der Mei is proud of the bank's presence in Bahrain and its contributions to development activities in the region. "ABN's long-standing reputation in Bahrain, fortified by its track record, augurs well for the promotion of Bahrain as an important center of international finance," he said. "As the economy turns around, we are confident that higher rates of growth can be achieved."

The ABN operates a domestic branch in addition to an offshore banking unit (OBU). According to Mr. van der Mei, the former is constrained to be content with a smaller share of the commercial banking market, since more than 80 percent of the banking activity is concentrated in the top five commercial banks. The OBU is still experiencing the effects of recession, although signs of recovery have been cited in recent months.

Mr. van der Mei expects that the bank will direct much of its efforts this year to streamlining its money-market system. "Scope for expansion does exist and areas of increasing activities have been identified. The highlights of the program envisaged for 1987 include automation of the dealing room and diversification of the commercial activities of the OBU, which now specializes in interbank business," he stated, adding that the bank is fully prepared to cope with the emerging capital market in Bahrain.

— Stephen Victor

### BAHRAIN INTERNATIONAL BANK E.C.

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CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 1986  
(Currency: Thousands of U.S. Dollars)

	1986	1985
<b>ASSETS</b>		
Cash and due from banks	1,124	815
Time deposits with banks	113,039	155,481
Marketable securities	165,886	104,549
Certificates of deposit	7,000	7,000
Loans	40,242	33,085
Investments	8,286	—
Property and equipment	6,709	9,949
Other assets	3,825	8,086
	<b>346,611</b>	<b>311,965</b>
<b>LIABILITIES</b>		
Deposits from banks	81,178	91,760
Customer deposits	18,172	8,297
Loans	5,524	—
Other liabilities	4,152	1,674
Proposed dividend	12,593	10,794
	<b>141,619</b>	<b>114,485</b>
<b>SHAREHOLDERS' EQUITY</b>		
Legal reserve	178,000	178,000
General reserve	7,223	5,592
Retained earnings	6,592	9,000
	<b>191,815</b>	<b>192,592</b>

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 DECEMBER 1986  
(Currency: Thousands of U.S. Dollars)

	1986	1985
Interest income	28,777	21,883
Interest expense	(1,129)	(1,832)
Net interest income	27,648	20,051
Fee and other income	1,942	2,148
Total income	29,590	22,199
Operating expenses	(1,450)	(1,419)
Net operating income	28,140	20,780
Provision for possible loan losses	(1,500)	(1,500)
Provision for decline in value of loan	(1,000)	—
Net income	16,166	14,071
Retained earnings, brought forward	11,805	10,718
	<b>27,971</b>	<b>24,789</b>
Transfer to legal reserve	(1,400)	(1,400)
Transfer to general reserve	(1,400)	(1,400)
Proposed dividend	(12,593)	(10,794)
Directors' remuneration	(1,800)	(1,800)
Retained earnings, carried forward	<b>11,276</b>	<b>11,009</b>

## Making a Mark on the Tourist Map

**T**OURISM is emerging as a major industry in Bahrain. The government is eager to promote the country as a regional tourist center and is working to develop the necessary infrastructure, facilities and amenities to attract tourists. Bahrain's importance as a seat of Islamic culture and art has also been underlined by recent projects undertaken by expert teams of archaeologists and historians.

Bahrain is often referred to as Dilmun, or the Land of Immortality. According to archaeologists, mention was made of Dilmun in inscriptions from the Sumerian, Babylonian and Assyrian eras. Recent studies have established its links to the Indus Valley civilization. The oldest traces of habitation date back to about 100,000 B.C. According to a legend, Gilgamesh, King of Uruk, visited the area in search of eternal life.

The country's strategic location makes it a rendezvous for businessmen and traders, who appreciate its cool, pleasant water springs and the friendly and courteous attitude of its people. Apart from being an international center for trade, commerce and finance, Bahrain offers excellent tourist interests for both business and holiday travelers.

According to Sheikh Rashid Bin Khalifa Al Khalifa, director of tourism and archaeology attached to the ministry of information, the interest evinced by the government and historians in the country's past led to the visit of several expert teams from France, America and India in recent years. "These exercises have helped to unearth invaluable information and materials that help us to understand the history of the country. Both from the archaeological and touristic points of view, Bahrain has much to offer," he said.

Among the recent discoveries are Bronze Age temples, a treasure collection of ancient seals, pottery, bronze and copper artifacts and the Al Khamis Mosque, reputed to be the oldest in the Islamic world. These have been carefully preserved, and are

now available for tourist visits and historic study.

Sheikh Rashid also points out as a major attraction the site of more than 170,000 burial mounds (believed to be the largest cemetery in the world) that were unearthed during recent excavations. "Bahrain has much to offer to the business traveler. Apart from facilities for sports and recreation (golf, tennis, swimming and horse racing for instance), there are ample avenues of evening entertainment. However, our aim is to present the unknown facets of Bahrain. The National Museum, the Bait Al Koran, the Heritage Center and the Bahrain Fort are just a few of the places that recall Bahrain's glorious past," he said.

According to Abdulrahman Mansoor, tourism advisor to the government, Bahrain is the ideal link between the East and the West. As a gateway to Europe, it offers an excellent transit point.

Businessmen will find many activities for leisure time, he says, suggesting visits to villages where the traditional cottage industries are still pursued and a tour of historic sites, including castles, forts and the old house of his Highness the Amir, Sheikh Isa Bin Sulman Al Khalifa. "The causeway to the kingdom of Saudi Arabia has in effect provided surface access to the entire region. Visitors to Bahrain can now utilize the services of many international car-rental companies to travel to various centers in the Kingdom, Kuwait, the United Arab Emirates and beyond," he says.

In its efforts to attract tourists and passengers in transit (Bahrain's international airport handles more than 8 million passengers a year, many of whom are in transit), the government relaxed its entry regulations last year. Visas for stays up to seven days can now be obtained more easily. Meanwhile, the number of tourists traveling to Bahrain from the countries of the Gulf Cooperation Council (Saudi Arabia, Kuwait, the United Arab Emirates, Qatar and Oman, whose citizens do not require an entry visa) has registered a sharp



Spice seller.

increase since the opening of the causeway in November 1986.

There is no shortage of hotel accommodations, although a major fair or exhibition will sometimes provide an exception. The standard of hotels, service and food is excellent, ranging from the prestigious Re-

gency Intercontinental and other first-class hotels like the Hilton, Sheraton, Diplomat, Gulf, Holiday Inn and Ramada to the smaller and more traditional hotels like the Delmon and Oasis. There are hotels in all price ranges. Many of the larger hotels now have exclusive facilities — larger rooms,

separate reception and complimentary continental breakfast — aimed at the business traveler.

The hotels also offer a wide variety of restaurants and cuisines, from the Japanese restaurant in the Hilton to the Regency's French Versailles restaurant to the Casa España next to the Del-

mon. Above the Oasis is one of the best Italian restaurants in the Gulf. Bahrain now has restaurants representing varied international cuisines — Greek, Indian, Iranian, Lebanese — as well as many of the best-known fast-food chains. These include Hardee's and Wimpy.

In order to meet the growing demand for accommodations resulting from the causeway, the government's newly formed Tourism Projects Company is planning to build new rental apartments and motels.

The ministry of information's high council for tourism is also looking at ways to improve the existing environmental facilities — beaches, parks, gardens — and possibly create new ones to cope with the expected increase in visitors. Bahrain wants to make sure that it is well and truly marked on the tourist map of the future.

— Stephen Victor

## Real Estate a Buyer's Market

**D**URING Bahrain's boom years of the 1970s, real estate was a seller's market. Infrastructure facilities were being developed and joint ventures and new commercial activities established. As a large expatriate population was brought in, demand for commercial and residential accommodation grew and property became a valuable commodity.

Today, property owners and real-estate agents who were formerly inflexible about rental rates are overwhelmingly open to negotiation. Many of them offer attractive terms even at the outset.

The current downturn in real estate is partly an offshoot of supply and demand. While the construction sector was booming, many landowners decided to go commercial. In their haste to capitalize on the boom, most property owners and devel-

opers overlooked the island's serious limitations: its size, population, long-term market potential and the transitory nature of the expatriate work force.

Today, there are more properties in Bahrain than people willing to lease them, and the number of real-estate agents far exceeds current requirements. As a result of these market forces, the customer has emerged more assertive and selective.

Many of the difficulties facing the property sector may still be overcome. Although the opening of the King Fahd Causeway, providing a land link to Saudi Arabia, has not yet improved market conditions as expected, it has had some influence. Service apartments are showing increased occupancy, and many real-estate agents are experiencing an increase in business.

In addition, the government's efforts to revive the



The Manama Tower office and shopping complex.

economy have begun to show results. Its ambitious diversification and industrialization plan, which will require \$3 billion over the next ten years, will give a

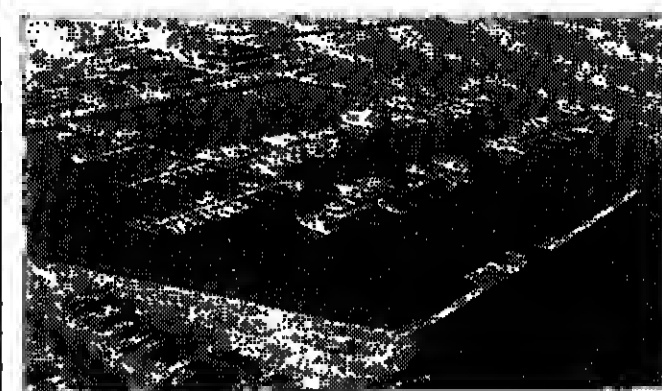
boost to the construction sector and consequently to the real-estate business.

A recent decree permits Bahraini and other citizens of the Gulf Cooperation Council (Saudi Arabia, Kuwait, United Arab Emirates, Oman and Qatar) to own apartments. Although it is still somewhat early to assess the effects of this legislation, market movements indicate that the property sector is on the road to recovery.

As in the rest of the GCC states, most projects related to Bahrain's economic development are initiated by the government. Although Bahrain has not been seriously affected, it has been greatly influenced by both regional and global economic factors.

Property owners are no longer experiencing the euphoria of the boom years, nor are they unrealistic enough to expect a recurrence of that "golden era."

— Stephen Victor



The Marina Club.

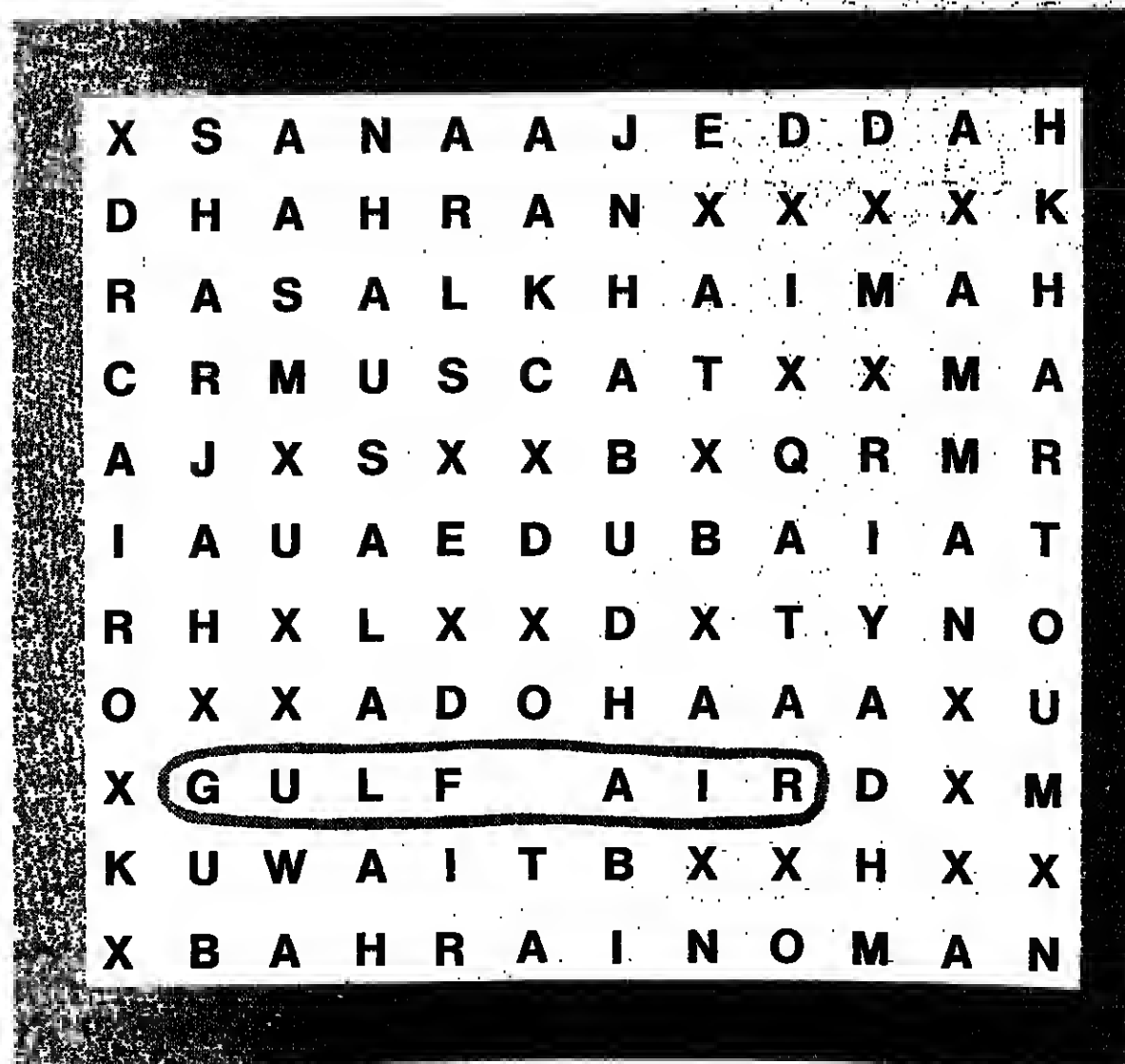
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## BUSINESS ROUNDUP

## BankAmerica Net Up 6.3% in Period

United Press International

SAN FRANCISCO — BankAmerica Corp. reported Thursday that its net income for the first quarter rose 6.3 percent to \$67 million, or 34 cents a share, from \$63 million, or 31 cents a share, a year earlier, partly because of the sale of its discount brokerage subsidiary.

BankAmerica stock, down 12.5 cents to \$1.625 at the opening of trading on the New York Stock Exchange, was unchanged at midday Thursday.

The report comes as BankAmerica, the second-largest U.S. banking company, focuses on a goal most observers agree is still a long way off: sustained profitability and a role as the West Coast's leading provider of retail banking services.

"This quarter, as in the last quarter of 1986, we have experienced continued success with our restructuring program, and our earnings reflect the results of these efforts," BankAmerica's chairman and chief executive officer, A.W. Clausen, said in a statement.

BankAmerica's decision in March to put \$1.9 billion in medium- and long-term loans to Brazil and \$180 million to loans to Ecuador on nonaccrual status cost it \$54 million in the quarter. Both countries suspended payments on their bank debt.

BankAmerica also got less than expected by industry analysts from the sale of its profitable discount brokerage subsidiary, Charles Schwab & Co., with \$112 million

after taxes instead of the \$120 million estimated by analysts.

The sale of Schwab and BankAmerica's British mortgage bank subsidiary added \$143 million to the bank's noninterest income, which rose 42 percent to \$645 million in the first quarter.

Analysts earlier said they would look for evidence that BankAmerica, which reported a loss of \$518 million last year, is cutting costs and becoming profitable in terms of its operations, not earning money through one-time asset sales.

"We're coming out of a very bad period," said a banking analyst, Dao Williams, of Suto & Co. in San Francisco. "I'm much more concerned with what kind of a trend we see."

## COMPANY EARNINGS

## Crédit Lyonnais Net Jumped 52.7% in 1986

Compiled by Our Staff From Dispatches

Crédit Lyonnais, expecting denationalization by the French government within the next year, reported Thursday that 1986 earnings climbed by 52.7 percent to 1,931 billion French francs (\$319 million at current rates) from the previous year.

Jean-Maxime Lévesque, chairman of France's second-largest banking group, said consolidated operating income rose 20.6 percent to 9.04 billion francs.

He said the bank's operating income "will increase again in 1987, but at a lower rate than in 1986."

Assets at year-end increased by 1.1 percent over 1985 to 852.55 billion francs.

## 3 GM Units Report Profit Rise

Profits of General Motors Corp.'s three main subsidiaries increased in the first three months of 1987 over the first quarter of 1986.

General Motors Acceptance Corp., GM's wholly owned financing arm, earned a record \$481.4 million, up 74 percent from \$276.6 million in first-quarter 1986.

GM Hughes Electronics Corp. earned \$175 million in the first quarter on revenue of \$2.7 billion, up 5 percent from \$153 million on revenue of \$2.6 billion in the first quarter of 1986.

Electronic Data Systems Corp., a computer services company, earned \$64.6 million in the first quarter, up 16 percent from \$55.6 million a year earlier. Revenue rose to \$1.04 billion from \$997 million.

## Montedison Profit Nearly Trebles

Montedison SpA said profit nearly tripled to 320 billion lire (\$246 million currently) in 1986 from 113 billion lire in 1985 on improved operating efficiency

and a better sales mix at the diversified Italian chemical company.

However, the 9.2 percent fall in consolidated group sales to 12,834 billion lire in 1986 reflected lower market prices, particularly in the energy sector.

Contributing to the improvement in parent company profit — which surged 97 percent to 199 billion lire last year — were lower net financial expenses, reduced holding losses on the share portfolio, and capital gains on shareholdings sold.

## Ciba-Geigy Turnover Falls 10%

Ciba-Geigy AG said that first-quarter turnover was 4,135 billion Swiss francs (\$2.76 billion at current rates), a decline of 10 percent compared with the same 1986 period but an increase of 2 percent expressed in the currencies of its foreign operations.

The depressed U.S. agriculture market and the weaker dollar sliced turnover in agri-chemicals by 23 percent to 1.16 billion francs — a 13 percent decline in local currencies. But this fall was more than offset by growth in the chemical and pharmaceutical group's other main divisions.

## Control Data Returns to Profit

Control Data Corp. reported its first quarterly profit in more than two years with earnings of \$7.2 million, or 17 cents a share, for the first quarter of 1987.

The first-quarter profit contrasts to a loss of \$21.2 million in the first quarter of 1986. First-quarter revenue at the U.S. computer maker rose 3.2 percent to \$821.7 million from \$796.1 million a year earlier.

"We are beginning to see the payoff from operational and financial restructuring, cost-control efforts, and above all strategic focus," said Robert M. Price, chairman and chief executive officer. (IHT, AP, Reuters)

## TAILORS: Savile Row Threatened by Rising Rents

(Continued from first finance page)

counterparts and hammered out key details of the \$3.9 billion International Monetary Fund loan to Britain in 1976.

"Of course," Mr. Bright adds quickly, "I would never mention it except that Mr. Simon himself has told the story publicly many times. A Savile Row fitting room is like a confession. What is said here is held in strictest confidence."

Savile Row, like New York's Wall Street, is both a street and the generic name for a district and an industry. In fact, the Japanese expression for a Western-style suit is "sebito."

The Savile Row district is the central London area bounded by Regent Street, Piccadilly, Bond Street and Oxford Street. Laid out in the 1730s as a fashionable residential district, it started to give way to luxury craft enterprises in the 19th century, led by the bespoke tailors. (Bespoke is the past tense of bespeak, meaning to engage beforehand or order.)

Savile Row tailors, and other members of area craft industries, regard themselves as an endangered species today because of what has been proposed as a progressive and constructive change in zoning rules. At present, commercial real estate in central London is grouped into two categories, office and light-industrial space. To simplify regulations and open up Brit-

ain's downtown areas to new enterprises, the government is proposing to create a single new "business class."

The worry for Savile Row tailors is that they will lose a much-needed control on rents. They pay office rental rates on their showrooms, but light-industrial rates on their far larger work areas, where suits are tailored, cut and sewn.

If the protective light-industrial classification is banished and landlords are free to convert tailors' workrooms into offices, they certainly will, because office rents in central London are four times the rates for light-industrial space.

The tailors' rivals for office space are typically moneyed multinational banking and brokerage companies, especially since the real estate boom in the wake of last year's "Big Bang" deregulation of London's securities markets has many firms looking outside the financial district for offices.

Most Savile Row tailors hold Victorian-era 99-year leases that expire over the next decade. Rent increases under the new classifications would force them to move. For example, Mr. Bright estimates his rent would quadruple, to about £200,000 (\$324,000) annually. "We couldn't take that," he said.

A resulting dispersion of firms would mean a loss of a concentrated pool of highly skilled workers, the tailors say.

## Cable Debate Thwarts Japan In Phone Merger

Reuters

TOKYO — Prospects appear dim that two rival consortia seeking to enter Japan's lucrative overseas telecommunications business will agree on a proposed merger, an executive from one of the groups said Thursday.

The government's merger plan has triggered rows with the United States and Britain, which fear foreign companies' role in the proposed new consortium may be seriously diluted.

Nobuo Ito, president of International Telecom Japan, said his consortium remained opposed to the laying of a new cable between Japan and Alaska by the merged company.

But the cable is a major goal of Britain's Cable & Wireless PLC, which holds a 20 percent share in the other consortium, International Digital Communications Planning.

## Chrysler Purchases Lamborghini

Compiled by Our Staff From Dispatches

DETROIT — Chrysler Corp. announced Thursday that it was acquiring Lamborghini, the Italian manufacturer of high-performance automobiles, in its second major agreement with an Italian sports car maker in a year.

The company did not disclose terms of the purchase from the Mimran family of Geneva. But The Detroit News quoted anonymous sources as speculating that Chrysler's cash payout for the company, formerly known as Nuova Automobili F. Lamborghini SpA, may be no more than \$3 million.

With the purchase, the No. 3 U.S. automaker links a second name from Italy's high-performance auto industry to its own. Chrysler acquired a minority stake in Maserati last year, with an option to take majority control of the sports car maker in January 1986.

Chrysler in the past has acknowledged business discussions with Lamborghini, which produces about 450 vehicles annually from its headquarters in Modena, Italy. In addition to automobiles, Lam-

orghini produced about 100 high-performance marine racing engines last year.

Lamborghini, which broke even last year on sales of 28 billion lire (\$22 million), was taken over by the Mimran family in 1980. At the time, it was under court-appointed administration after running into financial difficulties 17 years after its formation by Ferruccio Lamborghini, an Italian entrepreneur.

Chrysler officials said Lamborghini is now back on its feet and should post a modest profit this year.

The Italian company's 300 employees manufacture some of the most powerful cars sold in the United States, its largest export market, its sleek, 12-cylinder Lamborghini Countach sells for about \$177,000. The company says the car, with a top speed of more than 170 miles (275 kilometers) per hour, is the fastest made anywhere.

Lamborghini also produces the Jalpa sports car and a four-wheel-drive vehicle.

"Both Lamborghini and Chrysler Motors will benefit greatly from today's acquisition," said Gerald Greenwald, chairman of Chrysler Motors, the chief subsidiary of Chrysler Corp.

"Chrysler Motors will gain insight into the specialized craftsmanship and high-performance engineering that Lamborghini is so well known for," he said. Meanwhile, "Lamborghini not only will benefit from Chrysler's capital resources, but also from our advanced electronics knowledge and our North American marketing expertise."

Mr. Greenwald said Chrysler may increase Lamborghini's production beyond the current level because Chrysler believes there is a larger market for the Italian company's cars.

Last month Chrysler, which has made a spectacular recovery since coming close to collapse in the late 1970s, agreed to buy the French government-owned Renault's 46.1 percent stake in American Motors Corp. and announced that it would soon begin exporting its cars to Europe. (AP, Reuters)

## Korean Bank Told to Run Pan Ocean Shipping

Reuters

SEOUL — The South Korean government said Thursday that it had ordered the Korea Exchange Bank to take over the running of an indebted shipping company whose chairman committed suicide on Sunday.

Finance Minister Chung In Yong said that the state bank must run Pan Ocean Shipping Co. in cooperation with other creditor banks until it becomes financially viable.

Pan Ocean has debts of more than 1 trillion won (\$1.18 billion) and has been further destabilized by internal management feuding.

Pan Ocean's chairman, Park Ken Suk, 58, who had been under investigation by tax authorities, committed suicide on Sunday.

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ALL THE RELATED INFORMATION CAN BE OBTAINED AT THE REGISTERED OFFICE, 23 AVENUE DE LA PORTE, NEUVE LUXEMBOURG.

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	1986	Change from 1985, %
Net sales (million Fimmarks)	11,994	+ 9
Profit after financial income and expenses (million Fimmarks)	675	+22
Earnings per share (Fimmarks)	11.54	+11
Expenditure on R&D and training (million Fimmarks)	590	+15
Capital expenditure (million Fimmarks)	904	+ 1
Average number of employees	28,500	+ 3

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Via The Associated Press

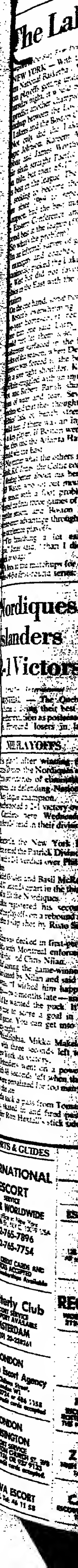
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INTERNATIONAL HERALD TRIBUNE														
12 Month					12 Month									
High	Low	Stock	Div. Yld. PE	Stk.	High	Low	Stock	Div. Yld. PE	Stk.					
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## OBSERVER

## Made Outside the U.S.A.

By Russell Baker  
NEW YORK — This is being written on a computer made in the U.S.A. at a desk made in Denmark. When completed it will be reproduced on paper made in the U.S.A. by a printing device made in Japan.

The person writing it is wearing shoes made in Ireland, a sweater made in England, assorted cotton goods made in the U.S.A. and dental inlays of material mined in South Africa. He smells faintly of soap made in Cincinnati and after-shave lotion made in France.

He sits on a typewriter chair of mysterious origin and is puzzled. He has just searched the chair for evidence of its nationality and found nothing except the words "Do not open," etched into a metal cylinder under the seat in three languages: German, English and French.

Pondering this mystery, its owner will now go across the hall to his bedroom to think. He was not only made in the U.S.A., but also educated there, and so regards thinking as a very trying operation requiring a special environment. Since no one has invited him to join a think tank, he must make do with his bedroom and bathroom. He does not dare try thinking in his office, since this might get the office into the habit of being thought in, thus destroying his career as a newspaper columnist.

He is back now, carrying four garments: a nightshirt made in Portugal; three bathrobes, one made in the U.S.A., one made in England and one made in China.

Why is this man thinking so globally today? Because a new garden cart has just arrived from a mail-order house in Troy, New York. The trade name on the literature and merchandise was "Troy-Bilt," but the shipping crate told another story. The cart was made in South Korea.

His wife had said, "Merchant patriots are always telling us to buy American, but it's hard to find out what's American and what isn't when 'Troy-Bilt' turns out to mean 'Korea-Bilt'."

He began investigating his life. It was rife with alien goods that had seemed deceptively American in the shop. Paper clips, for example,

"Paper clips, for God's sake!" he wants to write, but reconsiders, thinking the true exclamation may offend exceedingly churchy readers. Instead, he decides to write, "Paper clips, for heaven's sake!" but reconsiders again, fearing the quaint sweetness of the expression will make youthful readers consider him a fuddy-duddy afraid to let it all hang out in festoons of four-letter words.

Is it possible that America, once the home office of know-how, is now so inept that it must have its paper clips made in Taiwan?

The person writing at this machine is appalled at the thought of how thoroughly his life may have been invaded by alien goods. Glancing at the floor, he sees a rug made in Iran. On the wall hangs a lithograph made in France.

On a table sits an AM-FM stereo cassette recorder and radio made in Japan; on the desk, a radio-clock made in Hong Kong; under the desk, a typewriter made in Japan; by the fireplace, an exercise machine made in Sweden.

He searches for things made in the U.S.A. There are some: A coffee mug with, oddly, a picture of the French writer Marcel Proust on the side says "U.S.A." A cast-iron penny bank shaped like a wood-burning stove. A roll of masking tape. A plastic bag of ball-point pens. A flat can of saddle soap.

Back from the kitchen, he uses a stainless steel spoon made in the U.S.A. to stir tea from India made with the help of an electric kettle made in England and investigates his desk. It discloses a submersible aquarium heater made in Denmark, a small kit of small tools made in Germany, two wall-mounted maps, six leather-bound dictionaries made in West Germany, a small wooden chest board made in Indonesia, a brass cigarette box made in Pakistan, a hand calculator made in Taiwan, five shattered fragments of Roman pottery made in England, and a key to the city of Charleston, West Virginia, bearing no clue to country of origin.

The man is saddened by his discoveries. If Americans, as some people want, could buy only goods made in the U.S.A., we would all have to think of something new to do instead of going shopping.

New York Times Service

## Never Mind Food, Feed on the Decor

By Joseph Giovannini  
New York Times Service

THE guests at the recent opening of a new Los Angeles restaurant called Kate Mantlini thought they had come for the food, but many simply abandoned their chicken potpies and grilled swordfish and strolled around, wine in hand. First they gazed up at a huge metal "sundial" apparatus suspended like a centerpiece beneath the skylight, then walked over to a long, gently bowed mural of a boxing match. Fragments of the mural were scattered around the room on walls that were themselves broken into intricately layered sections, as though a Cubist painting had been turned into architecture.

Located at a highly visible address — on Wilshire Boulevard in Beverly Hills — the high-ceilinged, long, raucous dining hall of the restaurant signaled the arrival of a new avant-garde architecture in the heart of the city. For nearly a decade this kind of architecture flourished in Los Angeles's hillside and beach communities, but its arrival on Wilshire served as an announcement.

The \$2 million, 175-seat restaurant was designed by the Santa Monica firm Morphosis. In January, Morphosis received three of the highly coveted awards in Progressive Architecture magazine's annual competition; another Santa Monica firm, Koenig-Eisenberg, won a fourth.

Over the last decade, while many East Coast architects journeyed to Europe to immerse themselves in architectural history, a young generation of Los Angeles designers searched the city for commonplace materials. They combed lumber and marble yards, studied set design in movies, and discovered forms and effects in paintings and sculpture that could be turned into architecture. In a city that has always been more focused on its future than its past, no lesson was irrelevant; architects pieced together a nontraditional, nonhistorical approach to design. Among their eclectic sources were hot-rod magazines — for car parts that suggested building parts — and 18th-century illustrations of watch mechanisms.

Supported at first by adventurous clients in the art and movie worlds, architects and designers such as Thom Mayne and Michael Rotundi of Morphosis, Robert Mangurian, Frederick Fisher, Eric Moss and Craig Hodgetts are now designing in a avant-garde architecture more receptive to architectural ambitions buildings at the Los Angeles Museum of Contempo-



House by Frederick Fisher features colored concrete blocks.

rary Art and the County Museum of Art have attracted widespread attention. The director and producer Tony Bill, who has sponsored informal discussions about architecture over the past two months, believes that an "auteur mentality" has developed in architecture, as in film, and that buildings are being understood as signature designs. "Architects are fast acquiring the glamour and visibility associated with film makers," he said.

The claret call of this new architecture was Frank Gehry's own house in Santa Monica, finished in 1978. A crash of corrugated iron, wired glass, exposed two-by-fours, asphalt shingles and blacktop, it became a symbol of an emerging movement. With the opening of Kate Mantlini, a younger group of Los Angeles architects seem to be moving out of Gehry's shadow.

For these designers, now roughly 35 to 45 years old, architectural beauty is not exactly the point. For example, a rather odd two-story addition to a Santa Monica tract home, designed by Eric Moss to be seen from the freeway at 55 miles (90 kilometers) per hour, has a gabled roof open like flower petals, with a hot tub at the center. Colors in the house are claret, shapes, asymmetrical; surfaces, graphic. Throughout the house, the architect made conspicuous use of garden-variety construction hardware.

Brian Murphy's stark white Santa Monica home, which has three high-tech, gang-plank bridges leading to three floors of the five-story structure, is hardly an exquisite architectural jewel. First of all, it is funny, but beyond the chuckle, the design defies established in a single gesture a subtly defiant attitude. Though well laid out inside, it appears to be liberated from the usual notions of practicality.

The collage of concrete blocks in assorted colors and textures that make up the facade of a house in the Hollywood hills done by Frederick Fisher exemplifies how many of these architects compose artistic tableaux out of everyday materials. Inside,

the exposed wooden gables and ridge beam recall Japanese shrines. Other houses, buildings and interiors done by such design firms as Orinstein and Daniels, Barton Phelps, Franklin Israel and Steven Ehrlich exhibit a spirit of experimentation, an interest in complex construction and also use undecorated, often ordinary materials. Large buildings are broken down into small, oddly angled sections, often with walls layered as three-dimensional collages. The buildings are abstract and often intuitively designed, rather than conforming to a clear set of theoretical principles.

## PEOPLE

## James Callaghan to Get Knighthood in Britain

James Callaghan, the former British prime minister, is to be knighted by Queen Elizabeth II for service to the nation, Buckingham Palace announced Thursday. Callaghan, Labor prime minister from 1976 to 1979, is to be invested with the Most Noble Order of the Garter at Buckingham Palace on June 15, the palace said. Upon being knighted, Callaghan, 75, will be known as Sir James and his wife as Lady Audrey.

President Daniel Ortega of Nicaragua awarded the British novelist Graham Greene the country's highest literary award: In a brief acceptance speech for the Ruben Dario Cultural Independence Award, Greene said Nicaragua was fighting "against barbarity for civilization" — an apparent reference to its battle against U.S.-backed rebels. Greene visited Nicaragua four years ago and publicly supports the Sandinist government, which came to power with the ouster of the former dictator Anastasio Somoza in July 1979. . . . Turkey's international Atatürk peace award has been won this year by President Richard von Weizsäcker of West Germany for his contributions to peace. Culture Minister Mesut Yılmaz said in Ankara. The award, a gold-plated medal, a gold badge and 15 million lira (about \$18,500) was set up last year in memory of Mustafa Kemal Atatürk, founder of the Turkish Republic, to promote his goals of peace at home and abroad. The first award was made last year to the former NATO secretary general Joseph Luns.

President Ronald Reagan asked his wife, Nancy, to say "just one kind word" about reporters during the annual dinner of the White House Correspondents Association. "I'm thinking I'm thinking the first lady said."

The composer Miklos Rozsa, who won Oscars for his score of "Spellbound," "Ben Hur" and "A Double Life," has been honored for lifetime achievement by the American Society of Composers, Artists and Publishers. Rozsa, 80, received the Golden Soundtrack Award, the organization's highest honor, at an awards dinner Wednesday.

## INTERNATIONAL CLASSIFIED

<b>AUCTIONS</b> <b>TEHESSE/USA</b> Absolute Auction Saturday April 25, 1987 Starts at 10:00 AM C.S.T. <b>REAL ESTATE</b> <b>INVESTORS PARADISE</b> Multi-family and commercial income properties (10) for sale 25 miles from New Canaan, Conn. 140 miles from New York City. 2000 sq. ft. 4000 sq. ft. 6000 sq. ft. 8000 sq. ft. 10000 sq. ft. 12000 sq. ft. 14000 sq. ft. 16000 sq. ft. 18000 sq. ft. 20000 sq. ft. 22000 sq. ft. 24000 sq. ft. 26000 sq. ft. 28000 sq. ft. 30000 sq. ft. 32000 sq. ft. 34000 sq. ft. 36000 sq. ft. 38000 sq. ft. 40000 sq. ft. 42000 sq. ft. 44000 sq. ft. 46000 sq. ft. 48000 sq. ft. 50000 sq. ft. 52000 sq. ft. 54000 sq. ft. 56000 sq. ft. 58000 sq. ft. 60000 sq. ft. 62000 sq. ft. 64000 sq. ft. 66000 sq. ft. 68000 sq. ft. 70000 sq. ft. 72000 sq. ft. 74000 sq. ft. 76000 sq. ft. 78000 sq. ft. 80000 sq. ft. 82000 sq. ft. 84000 sq. ft. 86000 sq. ft. 88000 sq. ft. 90000 sq. ft. 92000 sq. ft. 94000 sq. ft. 96000 sq. ft. 98000 sq. ft. 100000 sq. ft. 102000 sq. ft. 104000 sq. ft. 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